VERMONT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ending JUNE 30, 2012

STATE OF VERMONT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ending JUNE 30, 2012

Peter Shumlin
Governor

Prepared by the Department of Finance and Management

STATE OF VERMONT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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VERMONT

State of Vermont *Agency of Administration*
Department of Finance & Management
109 State Street, Pavilion Building [phone] 802-828-2376
Montpelier, VT 05620-0401 [fax] 802-828-2428

LETTER OF TRANSMITTAL

To the Honorable Peter Shumlin, Governor,
The Honorable Phil Scott, Lieutenant Governor,
Chairs of House Committees on Appropriations, Institutions and Ways and Means,
Senate Committees on Appropriations, Finance and Institutions, and
The Citizens of the State of Vermont:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Vermont for the fiscal year ended June 30, 2012. The Department of Finance and Management prepared this report as required by Title 32, Vermont Statutes Annotated, Section 182(a)(8). By issuing this report by December 31, 2012, the Department has met the State statutorily required issuance date. The Department prepared these financial statements and assumes responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the Department has established a comprehensive internal control framework that is designed to protect the State's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of this report in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Because the cost of internal controls should not outweigh their benefits, Vermont's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free of material misstatement. I believe that the accompanying financial statements are accurate and fairly stated in all material respects, and presented in a manner designed to fairly report the State of Vermont's financial position, results of operations and changes in net assets/ fund balances.

I would like to direct your attention toward two important items contained in this CAFR. The first item is the Management and Discussion Analysis (MD&A) that follows the Independent Auditors' Report. This analysis is designed to give you, the reader, an overview of the State's financial position, described in understandable terms, in order to help you better understand the results of operations of your state government. Secondly, I would like to direct your attention to the Basic Financial Statements (BFS) which follow the MD&A. The BFS were prepared in conformity with GAAP as prescribed by the GASB. The BFS contain government-wide statements that present the State's financial activities in a manner similar to that of a private corporation; fund statements that report governmental, proprietary, fiduciary fund financial activity; component unit financial activity; and note disclosures that explain and enhance the basic financial statements.

In addition to the MD&A and BFS, this CAFR includes a Required Supplementary Information (RSI) section, an Other Supplementary Information section, and a Statistical section. The RSI section contains a Schedule of Funding Progress for the State's defined benefit pension and other postemployment benefits plans, and Budget to Actual comparison schedules for the State's major governmental funds with Notes reconciling budgetary fund balance to the governmental funds GAAP fund balance. The Other Supplementary Information section

contains combining fund financial statements for the State's non-major Governmental, Proprietary, and Fiduciary Funds, and for the State's non-major component units. The Statistical section presents data relating to financial trends, revenue and debt capacity, and demographic and operating information about the State of Vermont. It should be noted that the information contained in the MD&A, RSI and Statistical sections is unaudited.

This CAFR includes the funds and entities for which the State is accountable based on GASB's criteria for defining the financial reporting entity. The criteria include fiscal dependence, financial accountability and legal standing. Please refer to Note 1, for more information regarding the reporting entity and the component units.

State Profile

Vermont, known as the Green Mountain State, was first settled by the French in 1666, then by the English in 1690, and joined the Union as the fourteenth State in 1791. Rural in character, the state measures 9,249 square miles of land area, and, as of July 1, 2011, had an estimated population of 626,431. The State capital is Montpelier, and the largest city is Burlington. As of calendar year 2011, 93.7% of Vermonters aged 25 or older are at least high school graduates while 37.2% have at least a college bachelor's degree .

The State Constitution provides for three traditional branches of Government – the Legislative, the Executive, and the Judicial. The Legislative branch is comprised of the House of Representatives (150 members) and the Senate (30 members); all are elected for two-year terms. The Executive branch includes six elected officers – the Governor, Lieutenant Governor, Treasurer, Secretary of State, Auditor of Accounts, and the Attorney General – all elected for two year terms, without term limitations. The Governor is responsible for the faithful execution of all laws and the management of the departments and agencies of the Executive Branch – including the agencies of Administration; Transportation; Natural Resources; Commerce and Community Development; Agriculture, Food and Markets; and Human Services, as well as other departments – through which the functions of the State government are carried out. The Judicial branch of the state is made up of a Supreme and Superior Courts, and the Judicial Bureau. The judges are appointed by the Governor with the advice and consent of the Senate, and serve six-year terms.

Budget Adoption and Legal Compliance/Budgetary Results

The Required Supplementary Information section includes Budget to Actual comparison schedules for the General Fund and the five major special revenue funds. The State's budgeting process is described in the Notes to the Budget to Actual comparison schedules. These schedules present each fund's original budget, final budget, actual expenditures incurred on a budgetary basis, and the variance between the final budget and actual expenditures incurred. As the adopted budget provides legal control over spending, expenditures cannot exceed amounts appropriated under Vermont law. Budgetary control is exercised by fund within appropriation.

The General Fund

The General Fund accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in other funds as well as the expenditures associated with these revenues. In fiscal year 2012, General Fund tax revenues accounted for 96.9% of total General Fund revenues. The three principal tax revenue contributors – the personal income tax, the General Fund's portion of the sales and use tax, and the meals and room tax – accounted for 81.7% of General Fund total tax revenues

or approximately 79.2% of total General Fund revenues. General Fund expenditures used 63.4% of the total revenues, and these expenditures occurred in the following major governmental functional categories: General Government, Protection to Persons and Property, Human Services, Labor, General Education, Natural Resources, and Commerce and Community Development. The majority of the remainder of the resources provided from the 2012 General Fund revenues were transferred out to other funds and used for various purposes. Please see Note 3E for a summary of these transfers.

Economic Condition

The consensus revenue forecast for fiscal year 2012 was revised twice during the fiscal year as the economic and revenue environment began to stabilize. During fiscal year 2012, the Vermont economy began a slow and sometimes uneven recovery with the modest upgrade in the consensus revenue forecast in July, 2011, offset partially by a small downgrade in July for fiscal year 2012, and actual year end revenue collections in the General Fund exceeded the final revised consensus forecast target.

The consensus economic forecast for the Vermont economy reflects a slow pace of growth during the next nine to twelve months, with moderate growth expected over the subsequent five years. Unless derailed by the continuing European financial crisis or the "fiscal cliff" negotiations in Washington, DC, the U.S. economic recovery is expected to begin to pick up momentum and begin to become more broad -based over the next sixty months, so too will the pace and character of the Vermont economic recovery. The State's unemployment rate is expected to remain well below both the U.S. and New England regional averages. The most recent consensus economic forecast has the State job growth to continue to improve into 2013 and 2014, although at an unsteady pace.

Long-term Financial Planning

As part of the State's long term financial planning, the Legislature created a Capital Debt Affordability Advisory Committee who is required to present to the Governor and General Assembly, no later than September 30 of each year, a recommendation as to the maximum amount of net tax-supported debt that the State may prudently issue for the ensuing fiscal year and which complies with the State's triple-A debt rating guidelines. The recommendation is calculated and presented in accordance with certain debt affordability guidelines and other matters that may be relevant to the proposed debt to be authorized. The current recommendation contains two recommendations for maximum debt, one for fiscal year 2013 alone and one for fiscal years 2013 and 2014 taken as a unit. This report may be viewed on the State Treasurer's website under Debt Management – Capital Debt Affordability Advisory Committee.

In the 2012 legislative session, the 2012 Capital Act was an amendment of the 2011 Capital Act. The amount previously authorized for fiscal year 2012 was reduced to $87.7 million and $70.3 million for fiscal year 2013 appropriations for capital construction and capital grants, with $158.0 million funded with general obligation bonds, and the remaining amount funded through transfers and reallocations from prior capital appropriations. Please see Note 8 for addition information of the State's bonded debt.

Independent Audit of These Financial Statements

KPMG LLP, an independent certified public accounting firm, performed an independent audit of the State's basic financial statements for the fiscal year ended June 30, 2012, with the assistance of the State Auditor's Office. The auditors have issued an unqualified opinion, the most favorable outcome of the

audit process. The audit described in the auditors' report is not intended to meet all requirements of the Federal Single Audit Act of 1996. Rather, the Single Audit Report for the State is issued under separate cover.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Vermont for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the fourth year that Vermont has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report involved the dedicated work of staff in the Department of Finance and Management, the Office of the State Treasurer, the Office of the Auditor of Accounts, and the support of all State agencies, departments, component units, the Legislature, and the Judiciary. We welcome inquiries concerning this report and the finances of the State of Vermont.

Sincerely,

James B. Reardon, CPA
Commissioner

December 27, 2012

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Vermont

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

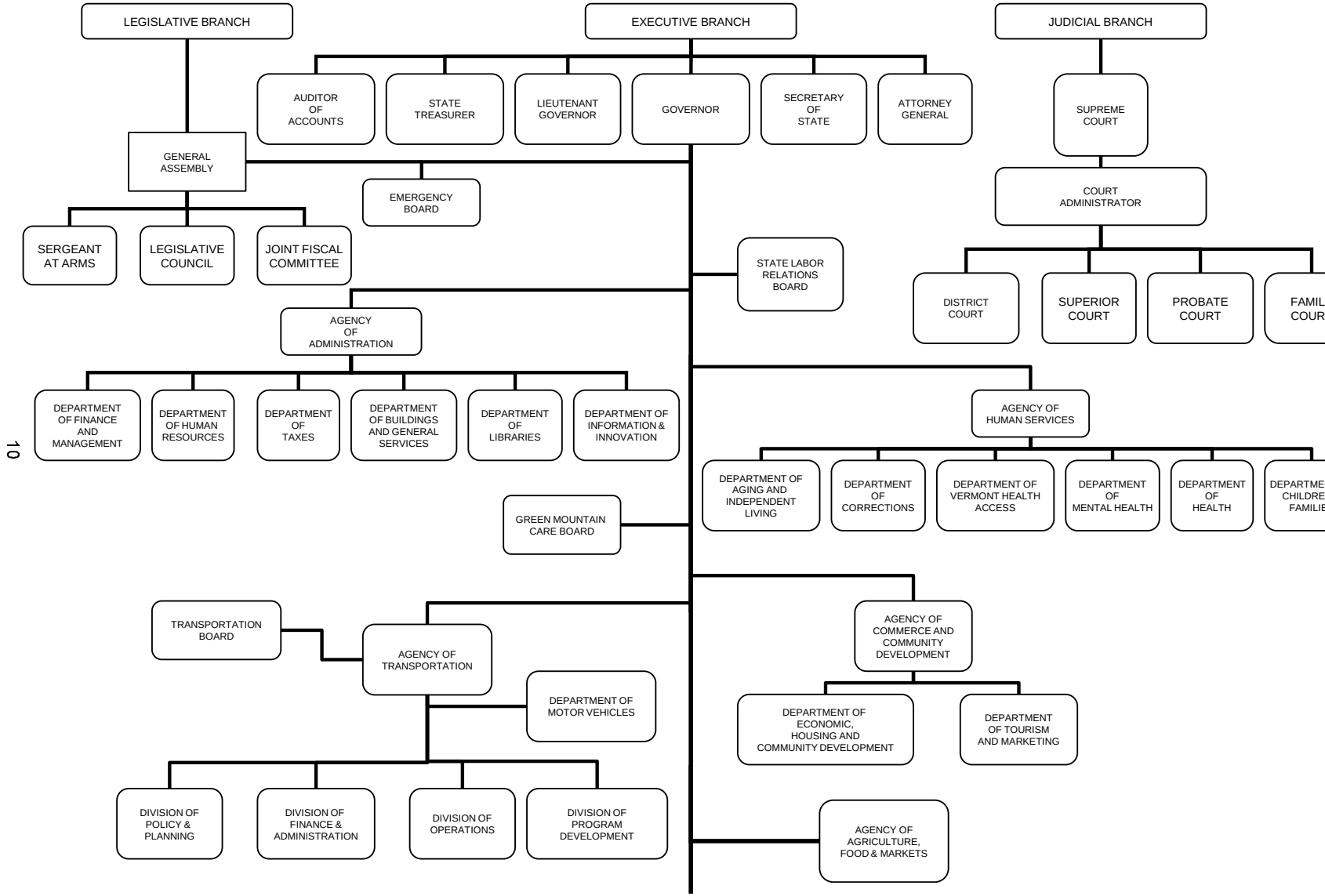
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

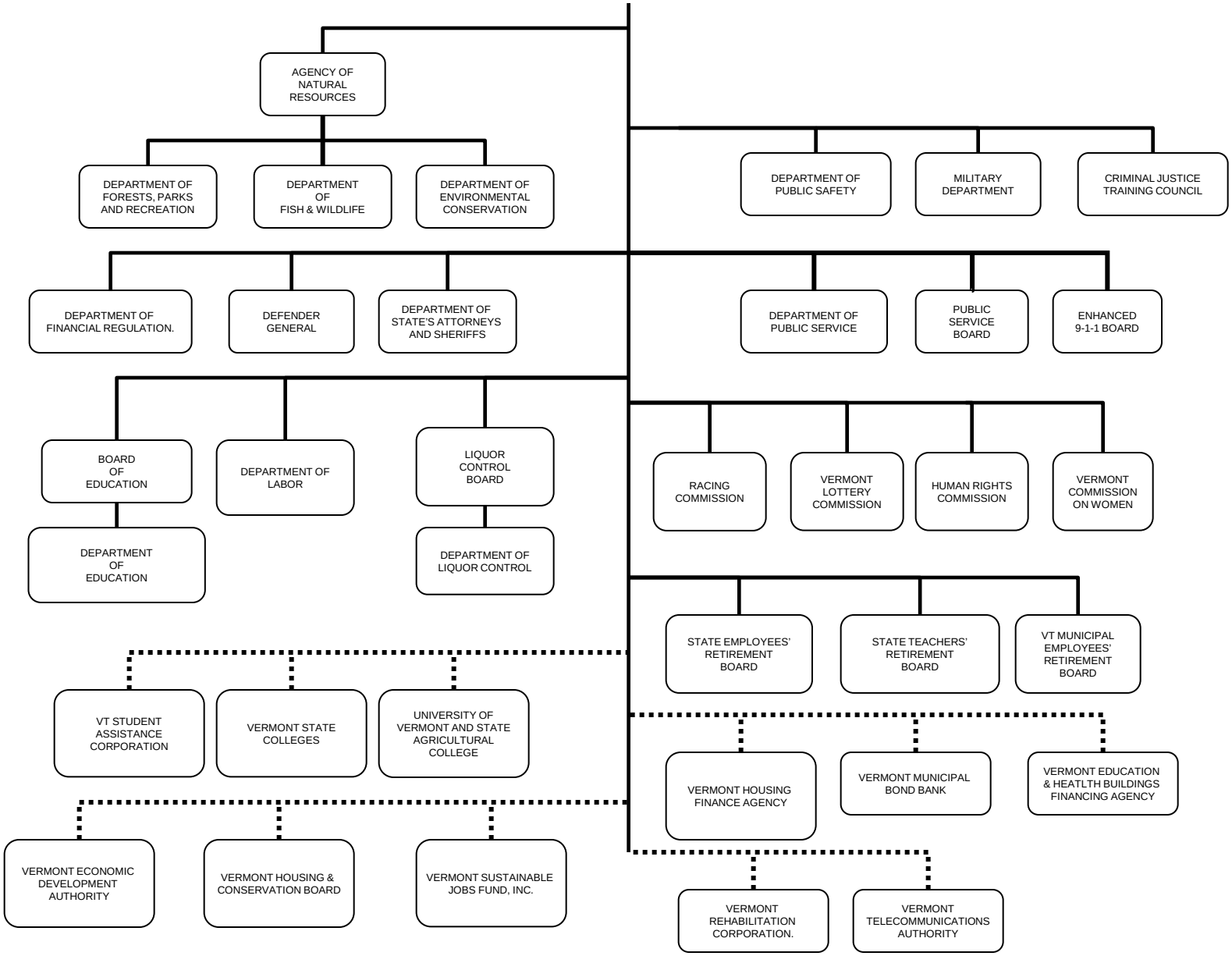
Linda C. Davidson

President

Jeffrey P. Ener

Executive Director


LEGISLATIVE BRANCH
EXECUTIVE BRANCH
JUDICIAL BRANCH
AUDITOR OF ACCOUNTS
STATE TREASURER
LIEUTENANT GOVERNOR
GOVERNOR
SECRETARY OF STATE
ATTORNEY GENERAL
SUPREME COURT
GENERAL ASSEMBLY
EMERGENCY BOARD
COURT ADMINISTRATOR
SERGEANT AT ARMS
LEGISLATIVE COUNCIL
JOINT FISCAL COMMITTEE
STATE LABOR RELATIONS BOARD
DISTRICT COURT
SUPERIOR COURT
PROBATE COURT
AGENCY OF ADMINISTRATION
DEPARTMENT OF FINANCE AND MANAGEMENT
DEPARTMENT OF HUMAN RESOURCES
DEPARTMENT OF TAXES
DEPARTMENT OF BUILDINGS AND GENERAL SERVICES
DEPARTMENT OF LIBRARIES
DEPARTMENT OF INFORMATION & INNOVATION
AGENCY OF HUMAN SERVICES
DEPARTMENT OF AGING AND INDEPENDENT LIVING
DEPARTMENT OF CORRECTIONS
DEPARTMENT OF VERMONT HEALTH ACCESS
DEPARTMENT OF MENTAL HEALTH
DEPARTMENT OF HEALTH
GREEN MOUNTAIN CARE BOARD
TRANSPORTATION BOARD
AGENCY OF TRANSPORTATION
AGENCY OF COMMERCE AND COMMUNITY DEVELOPMENT
DEPARTMENT OF MOTOR VEHICLES
DEPARTMENT OF ECONOMIC, HOUSING AND COMMUNITY DEVELOPMENT
DEPARTMENT OF TOURISM AND MARKETING
DIVISION OF POLICY & PLANNING
DIVISION OF FINANCE & ADMINISTRATION
DIVISION OF OPERATIONS
DIVISION OF PROGRAM DEVELOPMENT
AGENCY OF AGRICULTURE, FOOD & MARKETS


AGENCY OF NATURAL RESOURCES
DEPARTMENT OF FORESTS, PARKS AND RECREATION
DEPARTMENT OF FISH & WILDLIFE
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
DEPARTMENT OF PUBLIC SAFETY
MILITARY DEPARTMENT
CRIMINAL JUSTICE TRAINING COUNCIL
DEPARTMENT OF FINANCIAL REGULATION.
DEFENDER GENERAL
DEPARTMENT OF STATE'S ATTORNEYS AND SHERIFFS
DEPARTMENT OF PUBLIC SERVICE
PUBLIC SERVICE BOARD
ENHANCED 9-1-1 BOARD
BOARD OF EDUCATION
DEPARTMENT OF EDUCATION
DEPARTMENT OF LABOR
LIQUOR CONTROL BOARD
DEPARTMENT OF LIQUOR CONTROL
RACING COMMISSION
VERMONT LOTTERY COMMISSION
HUMAN RIGHTS COMMISSION
VERMONT COMMISSION ON WOMEN
STATE EMPLOYEES' RETIREMENT BOARD
STATE TEACHERS' RETIREMENT BOARD
VT MUNICIPAL EMPLOYEES' RETIREMENT BOARD
VT STUDENT ASSISTANCE CORPORATION
VERMONT STATE COLLEGES
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE
VERMONT HOUSING FINANCE AGENCY
VERMONT MUNICIPAL BOND BANK
VERMONT EDUCATION & HEATLTH BUILDINGS FINANCING AGENCY
VERMONT ECONOMIC DEVELOPMENT AUTHORITY
VERMONT HOUSING & CONSERVATION BOARD
VERMONT SUSTAINABLE JOBS FUND, INC.
VERMONT REHABILITATION CORPORATION.
VERMONT TELECOMMUNICATIONS AUTHORITY

SELECTED STATE OFFICIALS
As of June 30, 2012

EXECUTIVE

Peter Shumlin
Governor

Phil Scott
Lieutenant Governor

James C. Condos
Secretary of State

William H. Sorrell
Attorney General

Thomas M. Salmon
Auditor of Accounts

Elizabeth Pearce
State Treasurer

JUDICIAL

Paul L. Reiber
Chief Justice

LEGISLATIVE

John F. Campbell
President Pro Tempore of the State Senate
(30 Senators)

Shap Smith
Speaker of the House of Representatives
(150 Representatives)

FINANCIAL SECTION

KPMG LLP
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Independent Auditors' Report

The Speaker of the House of Representatives,
President Pro-Tempore of the Senate
And the Governor of the State of Vermont:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont (the State), as of and for the year ended June 30, 2012, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of certain discretely presented component units identified in note 1A. We also did not audit the financial statements of the Vermont Lottery Commission, the Special Environmental Revolving Fund, the Vermont Energy Efficiency Utility Fund, the Vermont Universal Service Fund, the Vermont Information Technology Leaders, Inc., or the Tri-State Lotto Commission. The discretely presented component units identified in note 1A represent 74% of the total assets and 42% of the total revenues of the aggregate discretely presented component units. The Vermont Lottery Commission represents 100% of the total assets and total revenues of the Vermont Lottery Commission Fund and 6% of the total assets and 30% of the total revenues of the business-type activities. The Special Environmental Revolving Fund represents 69% of the total assets and 5% of the total revenues of the Federal Revenue Fund. The Vermont Energy Efficiency Utility Fund, the Vermont Universal Service Fund and the Vermont Information Technology Leaders, Inc., collectively represent 8% of the total assets and 11% of the total revenues of the Special Fund and collectively represent 9% of the total assets and 2% of the total revenues of the governmental activities. The Tri-State Lotto Commission represents 100% of the information disclosed in note 13. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the discretely presented component units, the Vermont Lottery Commission, the Special Environmental Revolving Fund, the Vermont Energy Efficiency Utility Fund, the Vermont Universal Service Fund, the Vermont Information Technology Leaders, Inc., and the Tri-State Lotto Commission is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall

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financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 17-30 and the budgetary comparison information on pages 144-161 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the State of Vermont's basic financial statements. The Introduction and Statistical sections and the Other Supplementary Information-Combining and Individual Fund Statements and Schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Other Supplementary Information-Combining and Individual Fund Statements and Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information-Combining and Individual Fund Statements and Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The Introduction and Statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

December 27, 2012

INTRODUCTION

We are pleased to present this analysis and discussion of Vermont's financial performance for the fiscal year ending June 30, 2012. This Management, Discussion & Analysis (MD&A) section is intended to serve as an introduction to the State's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to assist the reader in focusing on significant financial matters, provide an easily readable overview of the State's financial activities, identify any material changes from the original budget, and highlight financial matters that occurred during fiscal year 2012. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

Government-wide

- Vermont reported net assets of $1.677 billion, comprised of $3.447 billion in total assets offset by $1.770 billion in total liabilities at June 30, 2012 (Table 1).

- The primary government's net assets have increased by $88.6 million as a result of this year's operations. The net assets for governmental activities increased $50.8 million and net assets for business activities increased by $37.8 million (Table 2).

Fund level

- The State's governmental funds reported a combined ending fund balance of $867.1 million, a decrease of 0.2 percent over last year. Of this amount, $374.9 million is available for spending at the State's discretion (committed, assigned, and unassigned fund balance).

- The State's General Fund reported an operating deficit this year of $36.0 million which decreased the accumulated fund balance to $178.4 million, of which $2.1 million is nonspendable and $18.5 million is committed for specific purposes.

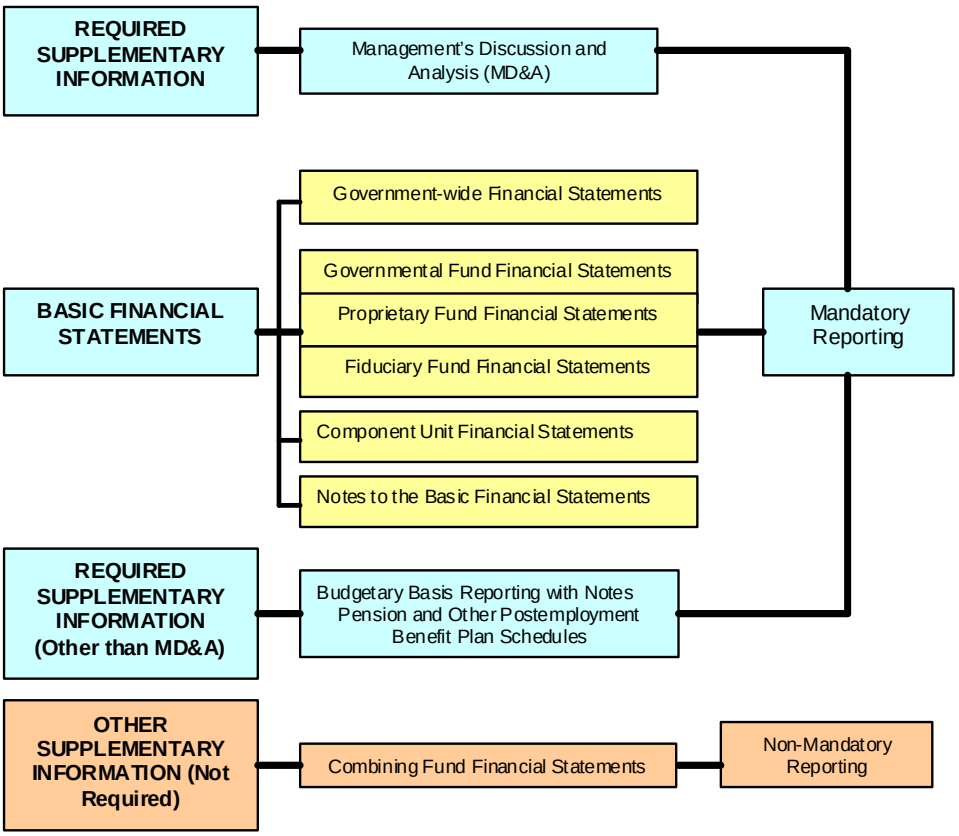
Long-term debt

- The State's debt outstanding for General and Special Obligation Bonds increased $9.9 million as compared to fiscal year 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report (CAFR) consists of a series of financial statements and supplementary information. The financial section contains the Independent Auditor's Report, this discussion and analysis section, the basic financial statements (BFS) with required supplementary information (RSI), other supplementary information, and a statistical section. Additional information regarding the above sections may be found below as well as in the notes to the financial statements.

The layout and relationship of the financial statements and supplementary information is presented in the following diagram. Notice the relationships between the various elements of the CAFR, such as "mandatory versus non-mandatory" reporting, or "required versus not required" supplementary information. This diagram is designed to illustrate how the various elements of the state's financial activity fit together in this CAFR.


REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis (MD&A)
BASIC FINANCIAL STATEMENTS
Government-wide Financial Statements
Governmental Fund Financial Statements
Proprietary Fund Financial Statements
Fiduciary Fund Financial Statements
Component Unit Financial Statements
Notes to the Basic Financial Statements
Mandatory Reporting
REQUIRED SUPPLEMENTARY INFORMATION (Other than MD&A)
Budgetary Basis Reporting with Notes
Pension and Other Postemployment Benefit Plan Schedules
OTHER SUPPLEMENTARY INFORMATION (Not Required)
Combining Fund Financial Statements
Non-Mandatory Reporting

Basic Financial Statements

Vermont's basic financial statements (BFS) consist of four components: 1) government-wide financial statements, 2) fund financial statements, 3) component units' financial statements, and 4) notes to the financial statements. The fund financial statements include governmental, proprietary, and fiduciary types of funds that will be described later in this analysis. Notes to the financial statements provide explanations and/or additional detail for all of the above type financial statements and are considered an integral part of the financial statements.

1) Government-Wide Financial Statements

Vermont's government-wide financial statements, which follow this MD&A section, are designed to present a broad view of the State's operations and financial position in a manner similar to the accounting principles used by most private-sector business. All of the State's activities except its fiduciary funds' activities are reported in the government-wide statements. Fiduciary activities are not included because the resources of these funds are not available to support the State's own programs.

The government-wide statements contain both short-term and long-term information about the State's financial position and assist in assessing the State's economic condition at the end of each fiscal year. The State prepares these statements using the "flow of economic resources" measurement focus and the accrual basis of accounting. This basically means that the methods utilized to prepare these statements are similar to those used by most private sector businesses in preparing their financial statements. They take into account all financial activity connected with the reported fiscal year including revenues, expenses, transfers, sales or acquisitions of capital assets, and any other activity affecting or possibly affecting the financial condition of the State, even if cash involved has not been received or paid. The government-wide financial statements present two statements:

The *Statement of Net Assets* presents a snapshot of both the primary government's and its component units' assets and liabilities, as of the date of this report, with the difference between the assets and liabilities reported as "net assets". Over time, increases or decreases in the primary government's net assets may serve as an indicator as to whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents the reported year's financial activity and hence, the reason(s) for the changes in net assets included on the Statement of Net Assets. All changes in financial activities are recognized as soon as the underlying event(s) giving rise to the changes occur, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not result in cash flows until future fiscal periods. This statement also presents the relationship between the State's major expenditure functions and the associated sources of program revenues associated with each expenditure function.

Both of the above financial statements segregate Vermont's financial activity into three categories: governmental activities, business-type activities, and discretely presented component unit activities. The governmental activities and business-type activities are combined to report on what is termed *primary government activities* which are separate and distinct from the *component units' activities* of the discretely presented component units. For more information regarding discretely presented component units, please see Note 1 to the financial statements.

Primary Government Activities

Governmental Activities – The financial activities reported in this section generally represent those services (functions) normally performed by a government entity. These activities are classified as either major or non-major, depending upon their financial size as compared to each other and to the group as a whole. The governmental activities include public education, general government, public health services, legal and judiciary services, natural resources, public safety, regulatory services, social services, and public transportation. Taxes, grants, and intergovernmental revenues are the main sources of funding for these activities.

Business-Type Activities – These business-type activities of the State include the operations of Vermont's enterprise activities. For financial reporting purposes, these activities are classified as either major or non-major, depending upon their financial size as compared to each other and to the group as a whole. Activities categorized as major include the Unemployment Compensation Trust Fund program, Liquor Control, and the State Lottery Commission. Activities reported as non-major include the federal surplus property program, publishing Vermont Life magazine, making equipment loans to municipalities, and several other activities. Both major and non-major activities normally recover all or a portion of their costs through user fees and charges to the external consumers of their goods and services, much like a private business.

Component Units' Activities

Discretely Presented Component Units – These are legally separate (incorporated) entities for which the primary government has the ability to impose its will on the entity, receive a benefit from activities of the entity, or could receive a financial burden due to the activities of the entity. The State's discretely presented component units are presented in the aggregate in the government-wide statements. This aggregate total consists of three major and ten non-major component units. This categorization is determined by the relative size of the entities' assets, liabilities, revenues and expenses in relation to the total of all component units. Additional information or financial statements for each of these individual component units can be obtained from their respective administrative offices. Addresses and additional information about the State's component units are presented in Note 1 to the financial statements.

Blended Component Units – The State has one blended component unit, *Vermont Information Technology Leaders, Inc. (VITL)*, which provides services almost exclusively to the State. The financial position of VITL has been blended within the Statement of Net Assets and Statement of Activities in the governmental activities column and in the special funds.

2) Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Similar to other state and local governments, Vermont uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus and report on the State's activities in more detail than the government-wide statements. All of the funds of the State have been divided into three categories for reporting purposes: governmental, proprietary, and fiduciary. In turn, the governmental and proprietary funds are divided into major and non-major categories as required by the Governmental Accounting Standards Board. For the governmental and proprietary funds, the major funds are reported in individual columns in the fund financial statements while the non-major funds are presented in a consolidated column in the fund financial statements. Combining schedules or statements in the Other Supplementary Information section present detailed non-major fund activity. Fiduciary funds are reported by fiduciary type (pension and other postemployment benefit trusts, investment trusts, private purpose trusts and agency funds) with combining schedules or statements for the individual pension, other postemployment benefit, and agency funds presented in the Other Supplementary Information section. It is important to note that these fund categories use different accounting methods and should be interpreted differently as described below.

The three categories of funds are Governmental Funds, Proprietary Funds, and Fiduciary Funds. Following is a brief overview of these three major categories of funds.

Governmental Funds
Most of the basic services provided by the State are accounted for in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as the balances of resources available at the end of the fiscal year. This approach uses the "flow of current financial resources" measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assist in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the time period focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Schedules reconciling the governmental funds' Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances to their respective government-wide statements are provided on the pages immediately following each governmental fund financial statement to facilitate this comparison.

The State reports twenty governmental funds of which six are classified as "major" governmental funds. These major funds are the General Fund, Transportation Fund, Education Fund, Special Fund, Federal Revenue Fund and Global Commitment Fund. Each major fund is presented in a separate column in the Governmental Funds' *Balance Sheet* and in the *Statement of Revenues, Expenditures, and Changes in Fund Balance*. The "non-major" governmental funds include the Fish and Wildlife Fund, two capital projects funds, two debt service funds, and nine permanent funds and are presented in one consolidated column in the governmental fund statements. Combining and individual non-major governmental fund statements are reported in the Other Supplementary Information section of this report.

The governmental funds' financial statements immediately follow the government-wide financial statements.

Proprietary Funds
This category of funds includes enterprise funds (business-type) and internal service funds. These funds report activities that operate much like those of commercial enterprises. These funds' financial reports include a *Statement of Net Assets;* a *Statement of Revenues, Expenses and Changes in Net Assets*; and a *Statement of Cash Flows*.

Enterprise funds provide the same type of information as the business-type activities section in the government-wide financial statements, only in more detail and at the fund level. Like the government-wide financial statements, enterprise fund financial statements use the accrual basis of accounting. Enterprise funds account for services provided to the general public, government, and non-State government entities. They normally derive their revenue by charging user fees in order to cover the costs of their services.

The State reports nine enterprise funds of which three are reported as major funds in separate columns on the proprietary fund statements. These three are the Unemployment Compensation Fund, the Liquor Control Fund, and the Vermont Lottery Commission. The other six enterprise funds are reported as "non-major funds" and are consolidated into one column on the proprietary fund statements.

Internal service funds are used to report activity that provides goods and services to other funds, departments, or agencies of the primary government and its component units, or to other governments on a cost reimbursement basis. Because the activities in these funds primarily benefit governmental activities, they have been combined with the governmental activities in the government-wide statements.

The State reports twenty-three internal service funds, which are reported in one consolidated column entitled "Governmental Activities – Total Internal Service Funds" on the Proprietary Funds Statement of Net Assets; Statement of Revenues, Expenses, and Changes In Net Assets; and Statement of Cash Flows.

The proprietary funds' financial statements immediately follow the governmental fund financial statements. Combining non-major enterprise and combining internal service fund statements may be found in the Other Supplementary Information section of this report.

Fiduciary Funds
The fiduciary funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. Fiduciary funds are excluded from the government-wide financial statements because the State cannot use these assets to finance its operations. The fiduciary funds use the accrual basis of accounting.

The State's fiduciary funds are divided into the following four basic categories: Pension and Other Postemployment Benefit Trust Funds (includes three separate defined benefit pension plans, three separate defined contribution pension plans, one defined benefit other postemployment benefit plan, and one defined contribution other postemployment benefit plan); an Investment Trust Fund (which reports only the external portion of the Vermont Pension Investment Committee investment pool); a Private Purpose Trust Fund (which reports only the Unclaimed Property Fund); and Agency Funds (ten agency funds which account for the assets held for distribution by the State as an agent for other governmental units, organizations or individuals). These funds financial reports include a *Statement of Fiduciary Net Assets;* and a *Statement of Changes in Fiduciary Net Assets*.

The fiduciary funds financial statements can be found immediately following the proprietary funds financial statements. Individual pension and other postemployment benefit trust funds, and agency funds financial statements are reported in the Other Supplementary Information section of this report.

3) Discretely Presented Component Units' Financial Statements
As mentioned previously, the State has included the net assets and activities of four major component units in individual columns and ten non-major component units in a single column on the statements.

The component units' financial statements can be found immediately after the fiduciary funds. Combining individual non-major component units' financial statements can be found in Other Supplementary Information section of this report.

4) Notes to the Financial Statements
The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the component units' financial statements.

Required Supplementary Information Other Than MD&A
The basic financial statements are followed by a section of required supplementary information. This section includes:

The Schedule of Funding Progress for the three defined benefit pension trust funds and the Schedule of Employer Contributions for the past six years are included in the required supplementary information section. Also, this section includes the Schedule of Funding Progress and the Schedule of Employer Contributions for the other postemployment benefit plans.

Schedules for the General Fund and major Special Revenue Funds comparing their original budgeted amounts; final budgeted amounts; actual inflows, outflows, and balances stated on the budgetary basis; and variances between the final budgeted amounts and actual amounts presented on a budgetary basis. See Note 1, Section E for additional information regarding the budgetary process, including the budgetary basis.

Notes to Required Supplementary Information include a schedule reconciling the statutory fund balance presented on a budgetary basis to the fund balance prepared on a modified accrual basis as presented in the governmental fund financial statements for each major governmental fund.

Other Supplementary Information
Combining Financial Statements
The combining fund financial statements referred to earlier in connection with non-major funds and non-major component units are presented following the Required Supplementary Information section. The total columns of these combining financial statements carry to the applicable fund financial statement. These combining statements include the following:

Non-major governmental funds
Non-major proprietary (enterprise) funds
Internal service funds
Fiduciary funds (including individual pension and other postemployment benefit trust funds, and agency funds)
Non-major component units

Statistical Section
A statistical section containing selected financial, debt capacity, operating, economic and demographic information is presented immediately following the combining financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets
The State's (governmental and business-type activities) combined net assets total $1.677 billion at the end of 2012, as shown in Table 1. Approximately $1.728 billion of these combined net assets consist of the State's investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) less any related debt still outstanding that was used to acquire those assets. This investment in capital assets, net of related debt, represents resources used to provide services to citizens, and therefore is not available for future spending. Although the State's

investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the primary government's net assets (31.3 percent) represents resources that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. The remaining balance of unrestricted net assets is a deficit of $577.0 million.

The governmental activities' negative unrestricted net assets balance is mainly the result of three actions: 1) long-term debt issued by the State for municipal, non-profit or component unit capital purposes, $217.2 million outstanding at June 30, 2012, that does not result in a governmental activities' capital asset, 2) the amount of net assets that are restricted for various purposes, and 3) the net Pension and OPEB liabilities (See Note 5).

At the end of fiscal year 2012, the State reported positive total net asset balances in its governmental activities, its business-type activities, and its discretely presented component units.

The following primary government condensed financial statement information is derived from the State's June 30, 2012 and 2011 government-wide Statement of Net Assets. Although the government-wide statements include discretely presented component unit activity, the component unit activity has not been included in these condensed statements.

TABLE 1
State of Vermont's Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current assets	$ 916.4	$ 916.4	$ 130.6	$ 82.0	$ 1,047.0	$ 998.4
Other assets	444.9	396.7	3.7	4.2	448.6	400.9
Capital assets	1,950.6	1,837.1	0.8	0.9	1,951.4	1,838.0
Total assets	3,311.9	3,150.2	135.1	87.1	3,447.0	3,237.3
LIABILITIES						
Long-term liabilities	1,239.3	1,143.7	59.3	79.5	1,298.6	1,223.2
Other liabilities	427.8	412.5	43.6	13.2	471.4	425.7
Total liabilities	1,667.1	1,556.2	102.9	92.7	1,770.0	1,648.9
NET ASSETS						
Invested in capital assets, net of related debt	1,727.6	1,607.9	0.8	0.9	1,728.4	1,608.8
Restricted	499.4	491.2	26.2	-	525.6	491.2
Unrestricted (deficit)	(582.2)	(505.1)	5.2	(6.5)	(577.0)	(511.6)
Total net assets	$ 1,644.8	$ 1,594.0	$ 32.2	$ (5.6)	$ 1,677.0	$ 1,588.4

Totals may not add due to rounding.

In 2012, governmental activities' revenues exceeded expenses by $27.8 million, received transfers of $23.0 million from business activities, resulting in a 3.2 percent increase in net assets. Business-type activities had an overall increase in net assets of 675.0 percent, resulting from an operating profit of $60.8 million and by transfers out of $23.0 million to governmental activities, primarily from the Lottery ($22.3 million) to support education.

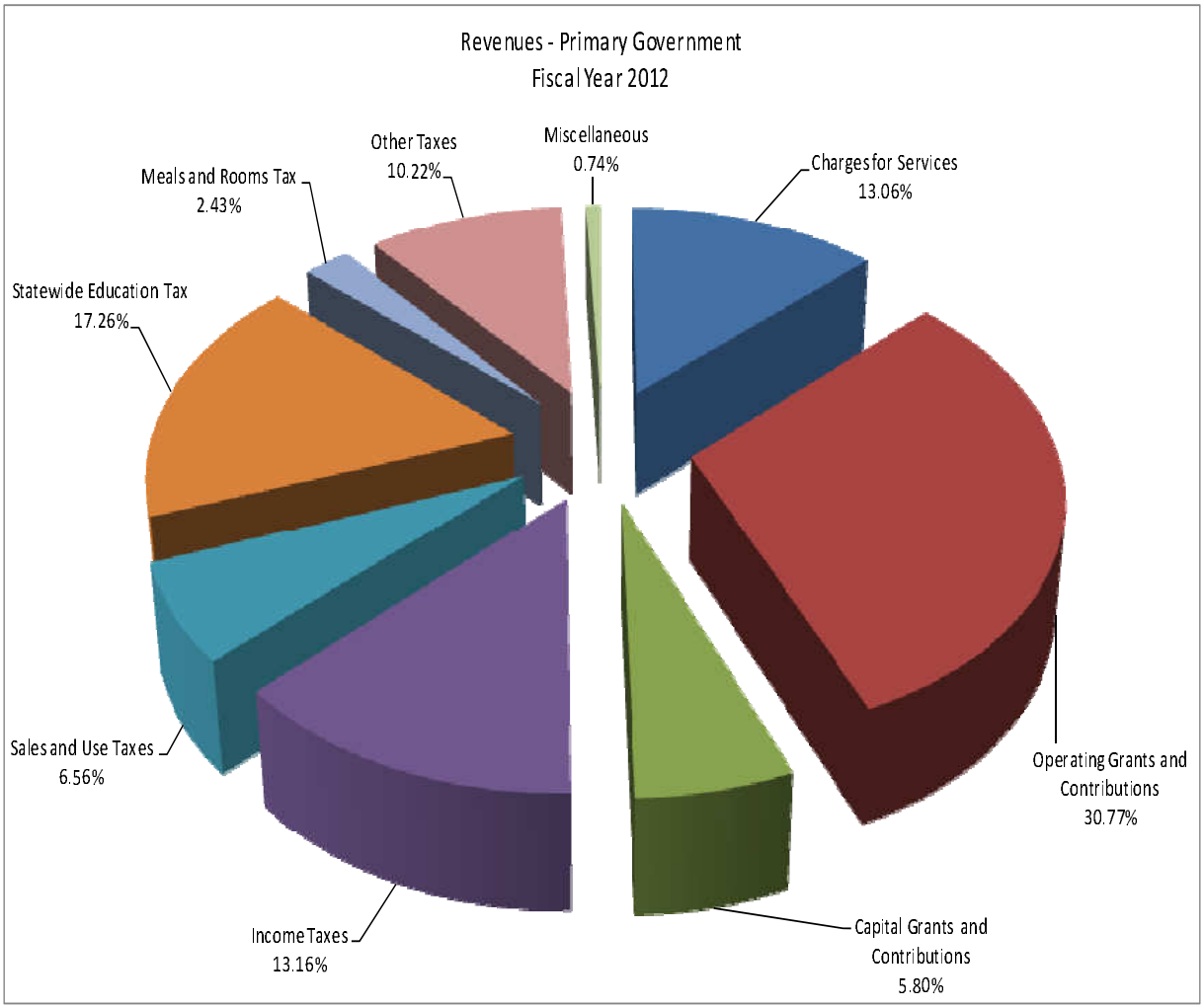
The following condensed table presents a comparison of activity for the fiscal years ended June 30, 2012 and 2011, and contains primary government data only.

TABLE 2
State of Vermont's Changes in Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Charges for services	394.9	357.0	296.2	266.5	691.1	623.5
Operating grants and contributions	1,590.3	1,703.9	38.2	62.5	1,628.5	1,766.4
Capital grants and contributions	307.0	314.6	-	-	307.0	314.6
General revenues						
Income taxes	696.7	677.9	-	-	696.7	677.9
Sales and use taxes	347.3	323.4	-	-	347.3	323.4
Statewide education tax						
Gross tax assessed	1,063.8	1,065.4	-	-	1,063.8	1,065.4
Income sensitivity adjustment	(150.2)	(147.5)	-	-	(150.2)	(147.5)
Meals and rooms tax	128.6	122.6	-	-	128.6	122.6
Other taxes	540.7	520.0	-	-	540.7	520.0
Miscellaneous	38.7	40.9	0.2	-	38.9	40.9
Total revenues	4,957.8	4,978.2	334.6	329.0	5,292.4	5,307.2
Expenses						
General government	185.5	161.2	-	-	185.5	161.2
Protection to persons and property	328.3	326.0	-	-	328.3	326.0
Human services	2,013.6	1,969.3	-	-	2,013.6	1,969.3
Labor	30.0	32.2	-	-	30.0	32.2
General educaton	1,680.4	1,670.5	-	-	1,680.4	1,670.5
Natural resources	91.5	106.9	-	-	91.5	106.9
Commerce and community development	38.8	48.2	-	-	38.8	48.2
Transportation	542.1	390.8	-	-	542.1	390.8
Interest on long-term debt	19.8	20.9	-	-	19.8	20.9
Unemployment compensation	-	-	139.3	190.7	139.3	190.7
Lottery commission	-	-	78.6	74.1	78.6	74.1
Liquor control	-	-	50.5	47.9	50.5	47.9
Other business type expenses	-	-	5.4	4.8	5.4	4.8
Total expenses	4,930.0	4,726.0	273.8	317.5	5,203.8	5,043.5
Increase (decrease) in net assets before transfers	27.8	252.2	60.8	11.5	88.6	263.7
Transfers net in (out)	23.0	22.0	(23.0)	(22.0)	-	-
Change in net assets	50.8	274.2	37.8	(10.5)	88.6	263.7
Net assets, beginning of year	1,594.0	1,319.8	(5.6)	4.9	1,588.4	1,324.7
Net assets, end of year	$ 1,644.8	$ 1,594.0	$ 32.2	$ (5.6)	$ 1,677.0	$ 1,588.4

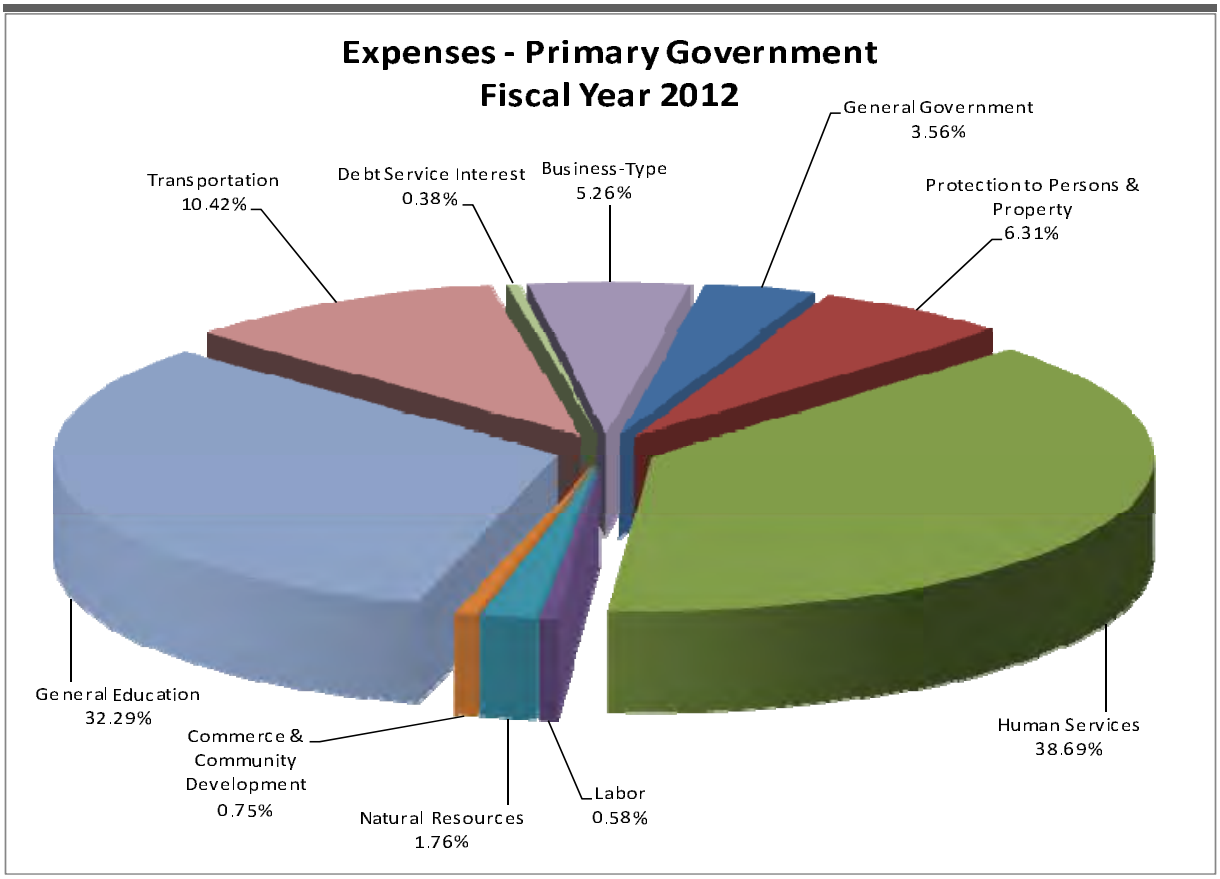
Totals may not add due to rounding.

The following graph illustrates the revenues of Vermont's primary government for fiscal year 2012. Approximately 36.57 percent comes from other entities and governments in the form of operating and capital grants and contributions (primarily federal grant revenues). An additional 30.42 percent of total revenues are generated by the statewide education and income taxes.



Percentages may not equal 100% due to rounding.

The following graph illustrates the percentages of total primary government expenses for fiscal year 2012. The largest category of expense is for human services (38.69 percent of total expense) which provides for Vermont's low-income, elderly care services and persons in state custody in the form of grants for selected services such as food stamps, health care, housing and child protective services. The second most significant category of expense is for general education (32.29 percent of total expenses) which provides for Vermont's support to secondary and higher education.



Percentages may not equal 100% due to rounding.

FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

As noted earlier, the State of Vermont uses fund accounting to account for its ongoing operations and to demonstrate compliance with finance-related legal requirements imposed by both legislative mandates as well as externally imposed restrictions.

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, *unrestricted (unassigned, assigned, and committed) fund balances* may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2012, the unrestricted fund balance is 43.23 percent of the total fund balance of governmental funds, which is available for spending on governmental programs at the State's discretion in the coming year. The remainder of this fund balance is restricted or nonspendable to indicate that it is not available for new spending such as the principal of the State's Permanent Funds, and other items that are nonspendable, such as advances and prepaid items and long-term receivables. At the end of fiscal year 2012, the State's governmental funds reported combined fund balances of $867.1 million, a decrease of $2.0 million in comparison with the prior fiscal year.

The General Fund is the chief operating fund of the State. At the end of fiscal year 2012, the General Fund's total fund balance was $178.4 million and the unassigned portion of this fund balance was $151.0 million. Its remaining fund balance was made up of nonspendable amounts totaling $2.1 million, and committed and assigned amounts totaling $25.3 million. During 2012, total expenditures and other financing uses exceeded total revenues and other financing sources by $36.0 million.

The Special Fund's total fund balance at the end of fiscal year 2012 was $88.8 million, an increase of 4.3 percent in comparison with 2011. The Special Fund's total fund balance is comprised of $4.8 million as restricted and $85.8 million as committed or assigned. Special Fund revenues increased $71.1 million and expenditures increased $48.9 million compared to 2011 resulting in an increase in "excess of revenues over expenditures" of $22.1 million from last fiscal year. Fiscal year 2012 transfers out to other funds exceeded transfers in from other funds by $239.4 million. The Special Fund transferred $292.0 million to the Global Commitment Fund for a portion of the State's payment for Medicaid coverage under the Global Commitment to Health Medicaid waiver.

The Federal Revenue Fund accounts for all federal grants except those federal grants that are awarded to the Agency of Transportation (which are included in the Transportation Fund), the Agency of Human Services (which are included in the Global Commitment Fund) and the Department of Fish and Wildlife (which are included in the Fish and Wildlife Fund, a non-major governmental fund). The Federal Revenue Fund's federal grant revenues for fiscal year 2012 were $845.4 billion, a 6.3 percent decrease over fiscal year 2011's federal grant revenues. The majority of this decrease is for federal grants for the payment of the Federal share of Medicaid expenditures under the Global Commitment to Health Medicaid waiver. That amount is now reported as revenue in the Global Commitment Fund. The Federal Revenue Fund's total fund balance at the end of fiscal year 2012 ($351.8 million) was a increase of $30.4 million as compared to the total fund balance at the end of fiscal year 2011.

The fiscal year 2012 ending total fund balance for the Global Commitment Fund was $89.5 million. Expenditures of $1,036.6 million exceeded revenues and net transfers in of $1,018.0 million by $18.6 million.

The Education Fund at June 30, 2012, had a total fund balance of $65.8 million, which represents a $17.1 million increase over fiscal year 2011's ending balance. Prior to fiscal year 2008, the State appropriated property tax relief payments directly to taxpayers based on taxpayer income levels and property taxes (income sensitivity). Beginning with fiscal year 2009, the State changed the methodology it used to implement income sensitivity as applied to property taxes. Now the State determines the amount each taxpayer is to receive based on their personal income tax return submissions and notifies each municipality of the amount each taxpayer is to have applied against their gross property tax bill. The municipality then applies this amount against the homeowner's gross property tax. The State pays the sensitivity amount to the municipality directly. The Education Fund's reserve for budget stabilization decreased $0.4 million to $29.8 million, the maximum allowed by statute.

The Transportation Fund's total fund balance was $18.4 million at June 30, 2012, a decrease of $1.9 million from the fiscal year 2011 ending total fund balance. This decrease was primarily the result of revenue exceeding expenditures by $10.8 million offset by transfers to other funds of $12.7 million. The Transportation Fund's reservation for budget stabilization increased from $10.4 million to $10.8 million, the maximum allowed by statute.

See Note 1, Section E for more information regarding these funds.

Proprietary Funds

The State's *enterprise funds* provide the same type of information presented in the business-type activities in the government-wide financial statements, but in more detail. The Unemployment Compensation Trust Fund's total net asset balance increased from a negative $11.2 million at June 30, 2011 to a $26.2 million at June 30, 2012, an increase of $37.4 million in one year. The fund received an Unemployment Insurance Modernization Grant of $38 million. In addition, the Legislature enacted an increase in the Taxable Wage Base Assessment to cover unemployment benefit distributions and pay down the $78 million Title XII cash advance from the U.S. Treasury.

The State's *internal service funds'* total net assets at June 30, 2012 were $17.8 million, an $8.4 million increase from June 30, 2011. This increase is primarily due to operating income totaling $1.9 million, net non-operating expenses of $0.4 million and net transfers in from other funds of $6.9 million. It

should be remembered that the internal service funds' activity has been combined with the governmental funds' activity in the government-wide financial statements.

Fiduciary Funds
The State's fiduciary funds account for resources held for the benefit of parties outside State government. The *pension and other postemployment benefit trust funds'* net assets decreased by 0.57 percent to $3.45 billion at June 30, 2012. For more information regarding the State's retirement and other postemployment benefit plans, see Note 5 to the financial statements. The Unclaimed Property Fund's total assets balance at June 30, 2012 is $9.6 million, and total liabilities balance is $6.7 million, including the escheat property claims liability estimated at $6.65 million, resulting in ending net assets of $2.9 million. The Investment Trust Fund's total net assets at June 30, 2012, were $124.7 million. Net assets of all fiduciary funds are reported as held in trust for particular purposes.

GENERAL FUND BUDGET HIGHLIGHTS

The State ended fiscal year 2012 with General Fund revenues of $1.197 billion, expenditures of $888.0 million, and net transfers to other funds of $338.7 million (non-GAAP budgetary basis). This was a $29.3 million increase in revenues over the previous year. The fiscal year 2012 General Fund consensus revenue forecast initially approved by the Emergency Board in July, 2011 was subsequently revised upward by the Emergency Board at their January 2012 meeting. Compared to target, the revenues were 0.5 percent above the July, 2011 revised revenue forecast of $1,191.2 million, and 0.6 percent above the January 2012 revenue forecast of $1,189.4 million. The higher than projected General Fund revenues were attributable to higher than expected Personal Income Tax receipts ($2.4 million above target), Corporate Income Tax receipts ($8.6 million above target), and Sales & Use Tax receipts ($1.4 million above target). Receipts from the Inheritance and Estate Tax was $6.2 million below target. The General Fund results allowed for a fully funded General Fund Budget Stabilization Reserve of $58.1 million, representing the statutory maximum of 5 percent of the prior year appropriations level.

PRIMARY GOVERNMENT'S CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets
The State investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2012, was $1.951 billion, a total increase of 6.2 percent (Table 3). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

Many component unit, municipal and non-profit organizations' capital construction projects and acquisitions are financed by the State, but the assets are actually owned by these other organizations. Therefore, these capital assets are recorded on the financial statements of these owning organizations and are not listed on the books of the State. But the general obligation bonds issued by the State to finance these capital assets are reported as a liability of the State's governmental activities. At June 30, 2012, the State had $217.2 million of general obligation bonds outstanding related to capital assets of these other organizations. Additional information on the State's capital assets can be found in Note 4 of the notes to the financial statements.

TABLE 3
Capital Assets at Fiscal Year End
(Net of depreciation, amounts in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land, Land Use Rights, and Land Improvements	$ 117,465	$ 114,141	$ -	$ -	$ 117,465	$ 114,141
Construction in Progress	490,630	439,533	-	-	490,630	439,533
Works of Art	136	136	-	-	136	136
Buildings and Improvements	242,487	245,633	16	23	242,503	245,656
Machinery and Equipment	58,663	54,138	729	834	59,392	54,972
Infrastructure	1,041,216	983,474	-	-	1,041,216	983,474
Totals	$ 1,950,597	$ 1,837,055	$ 745	$ 857	$ 1,951,342	$ 1,837,912

Totals may not add due to rounding.

Debt Administration

The State has no constitutional or other limit on its power to issue obligations or to incur debt besides borrowing only for public purposes. In 1990, the General Assembly created the Capital Debt Affordability Advisory Committee and made it responsible for overseeing the long-term capital planning for the State. Annually, the General Assembly passes appropriations for capital purposes and authorizes the State Treasurer to issue general obligation bonds to provide the financing for all or a portion of the appropriations. Bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt.

During fiscal year 2012, the State of Vermont's outstanding general and special obligation bond debt increased by approximately $9.9 million. This increase can be accounted for by the issuance of $132.1 million of general obligation bonds and accretion of $0.3 million in principal on the State's capital appreciation bonds offset by the redemption of $52.1 million and defeasance of $70.3 million. Additional information on the State's bonded debt is contained in Note 8 of the notes to the financial statements.

The State's general obligation bond ratings are as follows: Aaa by Moody's Investor Service (since February 2007), AA+ by Standard & Poor's Ratings Services (since September 2000), and AAA by Fitch Ratings (since April 2010).

ECONOMIC FACTORS AFFECTING THE STATE

Capital Debt Affordability

Annually the Capital Debt Affordability Advisory Committee (CDAAC) completes a review of the size and affordability of the State tax-supported general obligation debt. By October 1, the CDAAC submits to the Governor and to the General Assembly an estimate of the maximum amount of new long-term general obligation debt that prudently may be authorized for the next fiscal year. In September 2011, the CDAAC issued its recommendation by presenting two proposals, one for fiscal year 2012 alone and one for fiscal years 2012 and 2013 as a unit. The CDAAC proposed that the maximum amount of long-term general obligation debt authorized to be issued by the State in each of fiscal year 2013 and 2014 be $76.58 million or a total of $153.16 million for the two year period.

Economic Outlook

Recent data on Vermont economic conditions indicate that the performance of the Vermont economy has generally outperformed the developments in the U.S. economy overall during the past 12 to18 months since the State's last period of economic recession ended, although there has been little change in the economic and revenue outlook over the previous six months to a year. The primary downside risks continue to be related to potential economic policy errors in Washington and the European Union, although the situation in Europe is better than it was six months ago. Job market data shows that Vermont labor markets have continued to outpace the U.S. average, with the lowest unemployment rate in New England, and the eighth lowest unemployment rate in the nation in November, 2012. Construction and real estate markets continue to struggle, although market imbalances have almost run their course. Total revenues for the General Fund, Transportation Fund, and Education Fund currently show a variance from target of less than one percent. The large consumption taxes (meals and rooms, sales and use, and motor vehicle purchase and use) are right on target, and corporate taxes remain strong at about 4% above target. Such growth is expected to continue into fiscal year 2013.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Vermont's finances for all of Vermont's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

State of Vermont
Department of Finance and Management
109 State Street, 5th Floor
Pavilion Building
Montpelier, Vermont 05609-0401

The State's component units issue their own separately issued financial statements. Their statements may be obtained by directly contacting them at the addresses found in Note 1 to the State's financial statements.

BASIC FINANCIAL STATEMENTS

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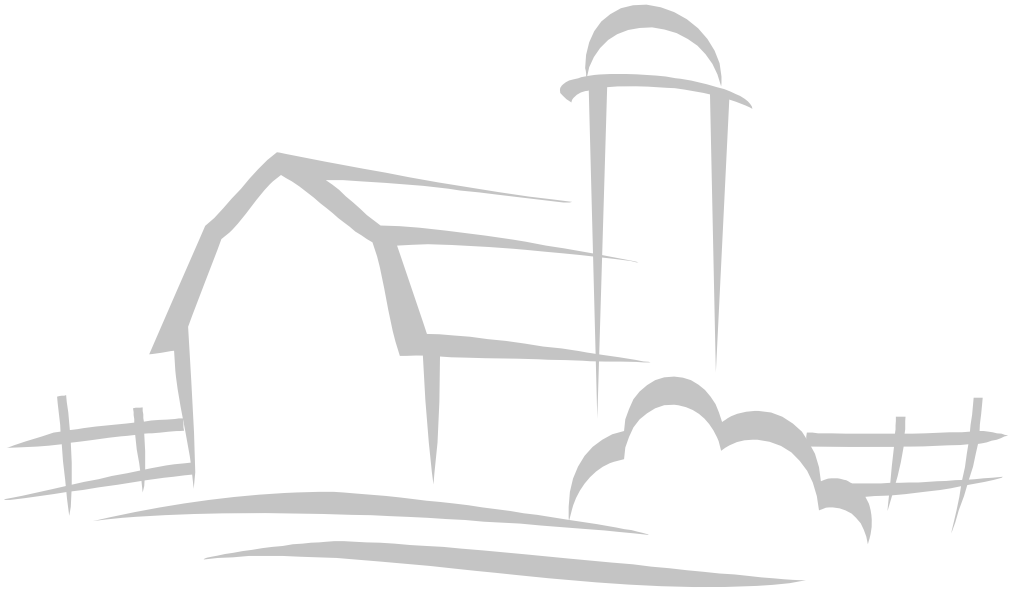

Vermont

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			Discretely Presented
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets				
Cash and cash equivalents	$ 537,882,533	$ 82,376,472	$ 620,259,005	$ 169,774,896
Taxes receivable, net	89,465,132	38,544,255	128,009,387	-
Loans and notes receivable, net	25,601,990	993,093	26,595,083	248,786,611
Federal grants receivable	195,338,930	645,530	195,984,460	30,380,145
Other receivables, net	37,519,934	4,668,156	42,188,090	78,336,301
Investments	22,190,306	-	22,190,306	165,236,213
Inventories	2,266,225	6,012,600	8,278,825	1,973,037
Internal balances	2,671,962	(2,671,962)	-	-
Receivable from primary government	-	-	-	54,871
Receivable from component units	2,276,581	-	2,276,581	-
Other current assets	1,224,354	77,341	1,301,695	18,845,440
Total current assets	916,437,947	130,645,485	1,047,083,432	713,387,514
Noncurrent Assets				
Cash and equivalents	-	488,880	488,880	456,130,496
Taxes receivable	136,540,209	-	136,540,209	-
Other receivables	41,615,402	8,747	41,624,149	-
Loans and notes receivable	216,387,501	1,205,309	217,592,810	2,687,116,404
Investments	36,107,442	2,045,324	38,152,766	541,851,499
Other noncurrent assets	14,303,171	-	14,303,171	58,330,247
Capital assets				
Land	117,465,089	-	117,465,089	36,057,033
Construction in progress	490,629,998	-	490,629,998	7,343,287
Works of art	136,003	-	136,003	-
Capital assets being depreciated				
Infrastructure	1,792,146,281	-	1,792,146,281	34,420,140
Property, plant and equipment	618,572,800	2,203,061	620,775,861	1,200,806,173
Less accumulated depreciation	(1,068,352,857)	(1,457,793)	(1,069,810,650)	(514,735,731)
Total capital assets, net of depreciation	1,950,597,314	745,268	1,951,342,582	763,890,902
Total noncurrent assets	2,395,551,039	4,493,528	2,400,044,567	4,507,319,548
Total assets	3,311,988,986	135,139,013	3,447,127,999	5,220,707,062

The accompanying notes are an integral part of these financial statements.

	Primary Government			Discretely Presented
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Current Liabilities				
Accounts payable and other current liabilities	248,495,912	9,304,613	257,800,525	104,371,504
Income tax refunds payable	64,020,569	-	64,020,569	-
Payable to primary government	-	-	-	2,331,452
Intergovernmental payable - due to federal government	12,307,203	-	12,307,203	-
Accrued interest payable	7,164,990	-	7,164,990	8,014,672
Current portion of long-term liabilities	91,922,217	24,229,860	116,152,077	313,779,341
Unearned revenue	3,916,760	10,085,700	14,002,460	32,287,394
Total current liabilities	427,827,651	43,620,173	471,447,824	460,784,363
Long-term liabilities				
Lottery prize awards payable	-	1,435,101	1,435,101	-
Bonds, notes and leases payable	469,784,072	-	469,784,072	3,464,713,548
Compensated absences	11,891,076	146,406	12,037,482	-
Claims and judgments	31,840,200	-	31,840,200	-
Other long-term liabilities	725,819,511	57,731,861	783,551,372	222,844,169
Total long-term liabilities	1,239,334,859	59,313,368	1,298,648,227	3,687,557,717
Total liabilities	1,667,162,510	102,933,541	1,770,096,051	4,148,342,080
NET ASSETS				
Invested in capital assets, net of related debt	1,727,652,353	745,268	1,728,397,621	142,583,900
Restricted for				
Unemployment compensation	-	26,216,418	26,216,418	-
Component unit net assets	-	-	-	803,220,725
Funds held in permanent investments				
Expendable	342,340	-	342,340	-
Nonexpendable	7,416,453	-	7,416,453	-
General government	23,547,051	-	23,547,051	-
Protection to persons and property	13,656,816	-	13,656,816	-
Human services	140,217,686	-	140,217,686	-
Labor	6,337,550	-	6,337,550	-
General education	1,756,117	-	1,756,117	-
Natural resources	302,825,433	-	302,825,433	-
Commerce and community development	263,036	-	263,036	-
Transportation	5,678	-	5,678	-
Debt service	3,009,094	-	3,009,094	-
Unrestricted (deficit)	(582,203,131)	5,243,786	(576,959,345)	126,560,357
Total net assets	$ 1,644,826,476	$ 32,205,472	$ 1,677,031,948	$ 1,072,364,982

STATE OF VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental activities				
General government	$ 185,483,918	$ 50,734,333	$ 13,110,732	$ -
Protection to persons and property	328,292,534	144,070,587	65,598,999	-
Human services	2,013,616,477	34,764,977	1,196,193,489	-
Labor	30,003,709	14,606,017	22,069,942	-
General education	1,680,443,175	2,006,883	126,071,066	-
Natural resources	91,451,936	26,914,537	23,550,258	20,738,390
Commerce and community development	38,781,699	435,030	16,066,475	-
Transportation	542,054,684	121,345,117	126,173,274	286,217,828
Interest on long-term debt	19,775,783	-	1,437,142	-
Total governmental activities	4,929,903,915	394,877,481	1,590,271,377	306,956,218
Business-type activities				
Vermont Lottery Commission	78,555,648	100,930,520	-	-
Liquor Control	50,519,182	51,700,444	-	-
Unemployment Compensation	139,339,697	138,550,415	38,238,794	-
Other	5,394,045	5,010,829	-	-
Total business-type activities	273,808,572	296,192,208	38,238,794	-
Total primary government	$ 5,203,712,487	$ 691,069,689	$ 1,628,510,171	$ 306,956,218
Component Units				
Vermont Student Assistance Corporation	$ 101,216,000	$ 59,239,000	$ 45,227,000	$ -
University of Vermont and State Agricultural College	614,136,000	359,596,000	217,771,000	6,687,000
Vermont State Colleges	191,327,165	117,848,254	63,393,587	2,157,985
Vermont Housing Finance Agency	37,065,000	704,000	-	-
Other	88,972,974	47,462,467	35,411,681	991,058
Total component units	$ 1,032,717,139	$ 584,849,721	$ 361,803,268	$ 9,836,043

General Revenues	
Taxes	
Personal and corporate income	
Sales and use	
Meals and rooms	
Purchase and use	
Motor fuel	
Statewide education	
Other taxes	
Total taxes	
Investment earnings	
Tobacco litigation settlement	
Additions to non-expendable endowments	
Miscellaneous	
Transfers	
Total general revenues and transfers	
Changes in net assets	
Net Assets - Beginning, as restated	
Net Assets - Ending	

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Discretely
Governmental Activities	Business-type Activities	Total	Presented Component Units
$ (121,638,853)	$ -	$ (121,638,853)	$ -
(118,622,948)	-	(118,622,948)	-
(782,658,011)	-	(782,658,011)	-
6,672,250	-	6,672,250	-
(1,552,365,226)	-	(1,552,365,226)	-
(20,248,751)	-	(20,248,751)	-
(22,280,194)	-	(22,280,194)	-
(8,318,465)	-	(8,318,465)	-
(18,338,641)	-	(18,338,641)	-
(2,637,798,839)	-	(2,637,798,839)	-
-	22,374,872	22,374,872	-
-	1,181,262	1,181,262	-
-	37,449,512	37,449,512	-
-	(383,216)	(383,216)	-
-	60,622,430	60,622,430	-
(2,637,798,839)	60,622,430	(2,577,176,409)	-
			3,250,000
-	-	-	(30,082,000)
-	-	-	(7,927,339)
-	-	-	(36,361,000)
-	-	-	(5,107,768)
-	-	-	(76,228,107)
696,663,745	-	696,663,745	-
347,282,654	-	347,282,654	-
128,591,786	-	128,591,786	-
81,908,566	-	81,908,566	-
61,791,172	-	61,791,172	-
913,639,504	-	913,639,504	-
397,011,589	-	397,011,589	8,047,500
2,626,889,016	-	2,626,889,016	8,047,500
998,095	160,297	1,158,392	44,141,917
34,519,359	-	34,519,359	-
-	-	-	990,077
3,254,299	-	3,254,299	9,599,087
22,958,162	(22,958,162)	-	-
2,688,618,931	(22,797,865)	2,665,821,066	62,778,581
50,820,092	37,824,565	88,644,657	(13,449,526)
1,594,006,384	(5,619,093)	1,588,387,291	1,085,814,508
$ 1,644,826,476	$ 32,205,472	$ 1,677,031,948	$ 1,072,364,982

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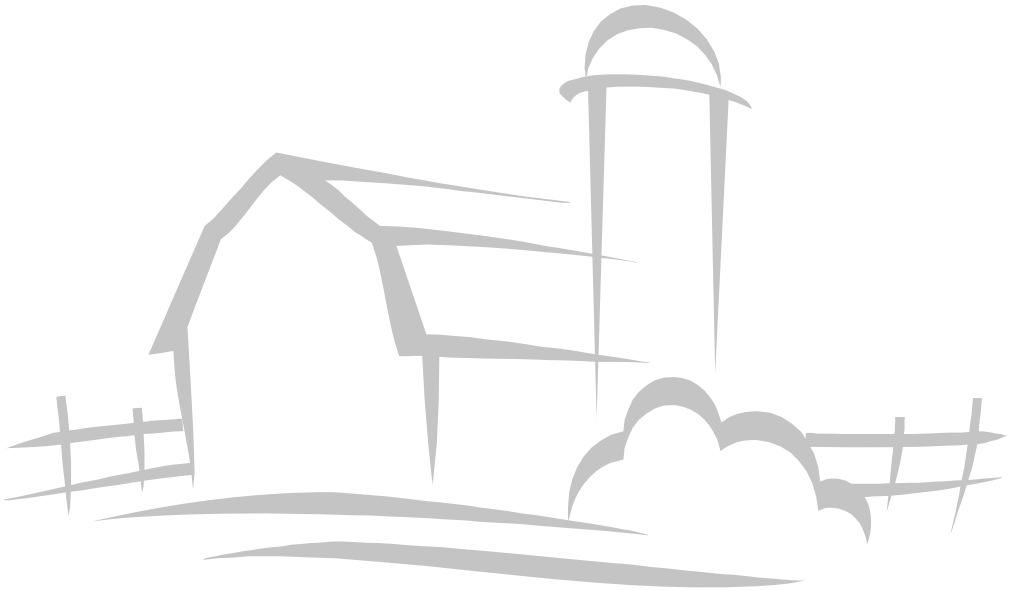

Vermont

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Transportation Fund	Education Fund	Special Fund
ASSETS				
Cash and cash equivalents	$ 87,539,602	$ 4,420,936	$ 63,524,019	$ 117,377,763
Investments	750,000	-	-	22,466,044
Receivables				
Taxes receivable, net	196,530,132	9,435,074	15,852,053	4,084,279
Accrued interest receivable	263	1,165	-	2,469
Notes and loans receivable	728,749	399,550	-	4,388,278
Other receivables, net	9,548,148	13,033,363	-	25,545,755
Intergovernmental receivables - federal government, net	376,775	43,575,043	-	-
Due from other funds	4,080,951	456,609	-	3,028,115
Due from component units	2,016,835	-	-	42,530
Interfund receivable	70,665,000	-	-	-
Advances to other funds	301,275	-	-	-
Advances to component units	1,028,960	-	-	1,259,962
Total assets	$ 373,566,690	$ 71,321,740	$ 79,376,072	$ 178,195,195
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	$ 25,730,391	$ 36,388,417	$ 9,221,831	$ 18,516,702
Accrued liabilities	9,027,271	4,711,354	128,945	2,514,486
Retainage payable	10,633	44,854	-	67,689
Due to other funds	15,350,581	1,151,070	10,976	55,372,639
Due to component units	-	-	-	-
Intergovernmental payable - federal government	-	-	-	-
Tax refunds payable	6,633,326	-	86,713	26,045
Deferred revenue	138,433,824	10,637,651	4,123,291	12,886,300
Total liabilities	195,186,026	52,933,346	13,571,756	89,383,861
FUND BALANCES				
Nonspendable				
Advances	1,330,235	-	-	-
Long-term notes and loans receivable	728,749	-	-	-
Permanent Fund principal	-	-	-	-
Restricted	-	-	-	4,757,664
Committed	18,501,930	18,388,394	65,804,316	85,822,913
Assigned	6,833,852	-	-	-
Unassigned	150,985,898	-	-	(1,769,243)
Total fund balances	178,380,664	18,388,394	65,804,316	88,811,334
Total liabilities and fund balances	$ 373,566,690	$ 71,321,740	$ 79,376,072	$ 178,195,195

The accompanying notes are an integral part of these financial statements.

Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Eliminations	Total Governmental Funds
$ 68,505,669	$ 87,095,424	$ 47,120,429	$ -	$ 475,583,842
227,314	-	34,854,390	-	58,297,748
-	-	103,803	-	226,005,341
6,650	-	-	-	10,547
236,472,914	-	-	-	241,989,491
2,376,968	20,856,800	998,379	-	72,359,413
102,617,627	48,332,483	437,002	-	195,338,930
3,275,554	37,341,879	6,669	(47,554,997)	634,780
-	-	-	-	2,059,365
-	-	-	-	70,665,000
-	-	-	-	301,275
-	-	-	-	2,288,922
$ 413,482,696	$ 193,626,586	$ 83,520,672	$ (47,554,997)	$ 1,345,534,654
$ 41,047,020	$ 83,441,296	$ 5,576,133	$ -	$ 219,921,790
4,301,135	2,209,038	441,399	-	23,333,628
273,636	275,077	910,812	-	1,582,701
1,286,318	6,602,727	135,699	(47,554,997)	32,355,013
-	-	2,071,706	-	2,071,706
10,368,896	-	-	-	10,368,896
-	-	-	-	6,746,084
4,356,706	11,616,145	-	-	182,053,917
61,633,711	104,144,283	9,135,749	(47,554,997)	478,433,735
-	-	-	-	1,330,235
-	-	-	-	728,749
-	-	7,416,453	-	7,416,453
351,848,985	89,482,303	36,654,320	-	482,743,272
-	-	30,610,432	-	219,127,985
-	-	-	-	6,833,852
-	-	(296,282)	-	148,920,373
351,848,985	89,482,303	74,384,923	-	867,100,919
$ 413,482,696	$ 193,626,586	$ 83,520,672	$ (47,554,997)	$ 1,345,534,654

STATE OF VERMONT
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO THE
STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total Fund balances from previous page		$ 867,100,919
Capital assets used in governmental activities (net of internal service funds' capital assets) are not considered financial resources for fund perspective reporting and, therefore, are not reported in the funds. Those assets consist of:		
Land	117,438,933	
Works of Art	127,803	
Construction in progress	489,414,650	
Depreciable capital assets and infrastructure net of $1,018,429,741 of accumulated depreciation	1,306,619,336	
Capital assets, net of accumulated depreciation		1,913,600,722
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to certain funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets		17,724,719
Amounts presented in the statement of net assets relating to, but not in fund balances due to a different basis of accounting include:		
Long-term assets are not available to pay for current period expenditures and therefore are reported as deferred revenues in the governmental funds		178,155,612
Deferred charge for unamortized bond issuance costs and discounts on sale of bonds		4,090,135
Deferred for unamortized gain on sale of refunding bonds		10,213,036
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not considered financial liabilities for fund perspective reporting, and therefore are not reported in the funds. These liabilities include:		
Bonded and capital lease debt (net of internal service funds' liability)	(519,540,294)	
Accrued interest payable on bonds	(7,164,990)	
Intergovernmental payable - federal government	(1,938,307)	
Compensated absences (net of internal service funds' liability)	(31,492,044)	
Tax refunds payable	(57,274,485)	
Other long-term liabilities	(728,648,547)	
Long-term liabilities		(1,346,058,667)
Net assets of governmental activities		$ 1,644,826,476

The accompanying notes are an integral part of these financial statements.

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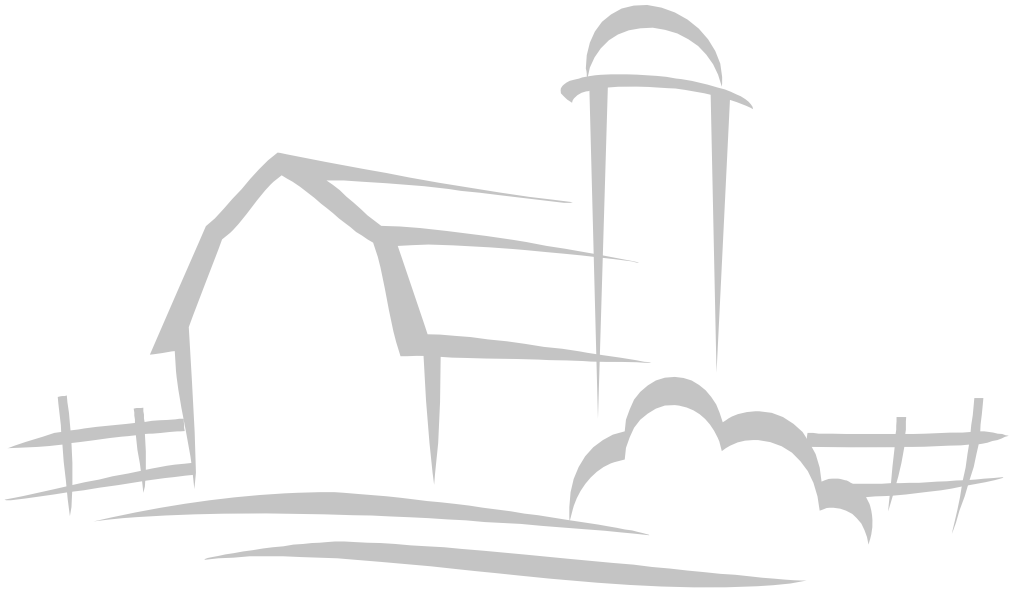

Vermont

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Transportation Fund	Education Fund	Special Fund
REVENUES				
Taxes				
Personal income tax	$ 593,009,113	$ -	$ -	$ 1,851,012
Corporate income tax	83,931,528	-	-	-
Sales and use tax	229,156,815	-	114,534,722	-
Meals and rooms tax	127,388,883	-	-	-
Motor fuels tax	-	59,335,840	-	1,528,505
Purchase and use tax	-	54,606,185	27,302,381	-
Statewide education tax	-	-	913,639,504	-
Other taxes	128,905,063	17,431,927	2,308,239	248,327,494
Earnings of departments				
Fees	20,906,404	28,679,181	-	66,878,403
Rents and leases	-	1,568,540	-	3,133,906
Sales of services	2,638,754	89,560	-	13,525,412
Federal grants	-	416,274,926	-	-
Fines, forfeits and penalties	7,390,456	4,993,669	-	9,909,847
Investment income	356,392	45,156	48,267	830,747
Licenses				
Business	3,048,422	662,426	-	13,693,584
Non-business	72,555	78,142,262	-	2,944,010
Special assessments	-	-	-	69,746,876
Other revenues	2,584,071	4,578,651	1,509	91,679,032
Total revenues	1,199,388,456	666,408,323	1,057,834,622	524,048,828
EXPENDITURES				
General government	75,847,347	44,720	9,043,752	55,349,814
Protection to persons and property	107,330,032	25,819,205	-	115,085,599
Human services	398,566,976	-	4,238,891	53,692,193
Labor	4,493,989	-	-	3,427,888
General education	141,830,842	-	1,333,780,611	17,706,202
Natural resources	19,306,116	-	-	28,638,251
Commerce and community development	13,474,915	-	-	4,742,373
Transportation	-	629,767,465	-	2,722,460
Debt service	-	-	-	-
Total expenditures	760,850,217	655,631,390	1,347,063,254	281,364,780
Excess of revenues over (under) expenditures	438,538,239	10,776,933	(289,228,632)	242,684,048
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of bonds	-	-	-	-
Premium on sale of bonds	9,962,616	-	-	437,125
Proceeds from the sale of refunding bonds	69,060,000	-	-	-
Payment to bond escrow agent	(79,022,616)	-	-	-
Transfers in	41,177,548	370,705	306,432,101	80,222,286
Transfers out	(515,711,141)	(13,095,790)	(147,747)	(319,644,961)
Total other financing sources (uses)	(474,533,593)	(12,725,085)	306,284,354	(238,985,550)
Net change in fund balances	(35,995,354)	(1,948,152)	17,055,722	3,698,498
Fund balances, July 1	214,376,018	20,336,546	48,748,594	85,112,836
Fund balances, June 30	$ 178,380,664	$ 18,388,394	$ 65,804,316	$ 88,811,334

The accompanying notes are an integral part of these statements.

Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Eliminations	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 594,860,125
-	-	-	-	83,931,528
-	-	-	-	343,691,537
-	-	-	-	127,388,883
-	-	926,827	-	61,791,172
-	-	-	-	81,908,566
-	-	-	-	913,639,504
-	-	-	-	396,972,723
		-		
-	220	172,002	-	116,636,210
-	-	48,537	-	4,750,983
-	-	4,200	-	16,257,926
845,394,646	618,312,802	7,173,586	-	1,887,155,960
-	-	8,448	-	22,302,420
588,056	-	1,124,635	-	2,993,253
-	-	980	-	17,405,412
-	-	6,539,729	-	87,698,556
-	-	2,767	-	69,749,643
777,106	-	831,983	-	100,452,352
846,759,808	618,313,022	16,833,694	-	4,929,586,753
12,790,283	789,438	25,657,378	-	179,522,732
68,171,280	1,999,853	2,706,701	-	321,112,670
523,534,329	1,028,422,339	3,546,545	-	2,012,001,273
21,333,878	-	-	-	29,255,755
125,923,293	5,406,166	12,795,298	-	1,637,442,412
21,006,632	-	24,940,728	-	93,891,727
16,117,503	-	4,058,902	-	38,393,693
-	-	622,855	-	633,112,780
-	-	72,390,391	-	72,390,391
788,877,198	1,036,617,796	146,718,798	-	5,017,123,433
57,882,610	(418,304,774)	(129,885,104)	-	(87,536,680)
-	-	63,000,000	-	63,000,000
-	-	2,321,565	-	12,721,306
-	-	-	-	69,060,000
-	-	-	-	(79,022,616)
4,687,564	423,191,991	72,977,491	(901,069,711)	27,989,975
(32,166,985)	(23,474,553)	(5,072,917)	901,069,711	(8,244,383)
(27,479,421)	399,717,438	133,226,139	-	85,504,282
30,403,189	(18,587,336)	3,341,035	-	(2,032,398)
321,445,796	108,069,639	71,043,888	-	869,133,317
$ 351,848,985	$ 89,482,303	$ 74,384,923	$ -	$ 867,100,919

STATE OF VERMONT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITUES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Total net change in fund balances from the previous page	**$**	**(2,032,398)**
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period (net of internal service funds).		
Capital outlay/functional expenditures		360,884,801
Expensed net book value of disposed capital		(158,031,780)
Depreciation expense		(89,975,849)
Repayment of bond principal is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Principal repayment		52,120,000
Payment to refunding bond escrow agent		79,022,616
Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		
Bonds issued		(63,000,000)
Refunding bonds issued		(69,060,000)
Bond premium is amortized over the life of the bonds in the statement of activities		(10,816,185)
Refunding bonds gain is amortized over the life of the refunding bonds in the statement of activities		(2,167,041)
Bond issuance costs are reported as expenditures in the governmental funds, but this cost is amortized over the life of the bonds in the statement of activities		632,983
Receivables in the governmental funds that are not available to provide current financial resources are not reported as revenues in the governmental funds		25,740,655
Estimated personal income tax refunds and retirement incentives that are not due and payable are not reported as expenditures in the governmental funds		(5,013,633)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Net decrease in accrued interest payable		1,037,173
Accreted interest on capital appreciation bonds		(280,645)
Increase in compensated absences		(374,987)
Increase in employer pension and other postemployment related costs		(75,029,116)
Increase in pollution remediation related costs		(432,250)
Increase in intergovernment payable - federal government		(621,060)
Increase in early retirement incentives		(162,750)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities		8,379,558
Total changes in net asets of governmental activities as reported on the statement of activities	**$**	**50,820,092**

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
ASSETS			
Current Assets			
Cash and cash equivalents	$ 75,283,681	$ 2,192,735	$ 3,180,721
Receivables			
Taxes receivable, net of allowance for uncollectibles	38,544,255	-	-
Accrued interest receivable	-	-	-
Accounts receivable, net of allowance for uncollectibles	1,192,595	1,152,022	1,821,371
Loans receivable	-	-	-
Due from other funds	-	161	-
Intergovernmental receivables - federal government	645,530	-	-
Inventories, at cost	-	5,240,510	497,831
Prepaid expenses	-	-	5,819
Total current assets	115,666,061	8,585,428	5,505,742
Restricted and Noncurrent Assets			
Cash - subscription reserve fund	-	-	-
Investments	-	-	2,045,324
Loans receivable	-	-	-
Accounts receivable - subcriptions	-	-	-
Imprest cash and change fund - advances	-	75	300,000
Total restricted assets	-	75	2,345,324
Capital Assets			
Land	-	-	-
Construction in progress	-	-	-
Works of art	-	-	-
Capital assets being depreciated/amortized			
Machinery, equipment and buildings	-	1,944,866	252,386
Less accumulated depreciation	-	(1,219,855)	(234,469)
Total capital assets, net of depreciation	-	725,011	17,917
Total restricted and capital assets	-	725,086	2,363,241
Total assets	115,666,061	9,310,514	7,868,983
LIABILITIES			
Current Liabilities			
Accounts payable	628,616	4,833,323	905,682
Accrued salaries and benefits	-	355,402	149,353
Claims payable	-	-	-
Due to lottery winners	-	-	249,057
Due to agents	-	523,113	-
Due to other funds	91,828	406,476	-
Interfund payable	-	-	-
Future and unclaimed prizes payable	-	-	3,791,589
Unearned revenue	9,278,599	1,650	162,537
Capital leases payable	-	-	-
Other current liabilities	21,718,739	39,927	-
Total current liabilities	31,717,782	6,159,891	5,258,218
Long-term Liabilities			
Unexpired subscriptions	-	-	-
Due to lottery winners	-	-	1,435,101
Claims payable	-	-	-
Advances from other funds	-	75	300,000
Capital leases payable	-	-	-
Other noncurrent liabilities	57,731,861	-	-
Total long-term liabilities	57,731,861	75	1,735,101
Total liabilities	89,449,643	6,159,966	6,993,319
NET ASSETS			
Invested in capital assets, net of related debt	-	725,011	17,917
Restricted for unemployment compensation benefits	26,216,418	-	-
Unrestricted (deficit)	-	2,425,537	857,747
Total net assets	$ 26,216,418	$ 3,150,548	$ 875,664

The accompanying notes are an integral part of these statements.

Business-type Activities-Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
$ 1,418,060	$ -	$ 82,075,197	$ 62,298,691
-	-	38,544,255	-
17,649	-	17,649	-
484,519	-	4,650,507	15,882,973
993,093	-	993,093	-
91,828	(91,828)	161	31,982,797
-	-	645,530	-
274,259	-	6,012,600	2,266,225
71,522	-	77,341	1,224,354
3,350,930	(91,828)	133,016,333	113,655,040
488,880	-	488,880	-
-	-	2,045,324	-
1,205,309	-	1,205,309	-
8,747	-	8,747	-
1,200	-	301,275	-
1,704,136	-	4,049,535	-
-	-	-	26,156
-	-	-	1,215,348
-	-	-	8,200
5,809	-	2,203,061	85,670,002
(3,469)	-	(1,457,793)	(49,923,114)
2,340	-	745,268	36,996,592
1,706,476	-	4,794,803	36,996,592
5,057,406	(91,828)	137,811,136	150,651,632
421,241	-	6,788,862	11,527,849
64,738	-	569,493	3,105,856
-	-	-	14,287,534
-	-	249,057	-
-	-	523,113	-
4,559	(91,828)	411,035	228,465
2,033,224	-	2,033,224	68,249,564
-	-	3,791,589	-
154,034	-	9,596,820	18,455
-	-	-	494,233
99	-	21,758,765	-
2,677,895	(91,828)	45,721,958	97,911,956
488,880	-	488,880	-
-	-	1,435,101	-
-	-	-	31,840,200
1,200	-	301,275	-
-	-	-	3,101,346
-	-	57,731,861	-
490,080	-	59,957,117	34,941,546
3,167,975	(91,828)	105,679,075	132,853,502
2,340	-	745,268	33,401,013
-	-	26,216,418	-
1,887,091	-	5,170,375	(15,602,883)
$ 1,889,431	$ -	32,132,061	$ 17,798,130
Adjustment to reflect the consolidation of internal service activities related to enterprise funds.....		73,411	
Net Assets - Business-type Activities.....		$ 32,205,472	

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
OPERATING REVENUES			
Charges for sales and services	$ 138,550,415	$ 48,274,581	$ -
Ticket sales	-	-	100,927,079
Rental income	-	-	-
License fees	-	1,241,195	-
Federal donated properties	-	-	-
Advertising revenues	-	-	-
Other operating revenues	-	2,184,668	3,441
Total operating revenues	138,550,415	51,700,444	100,930,520
OPERATING EXPENSES			
Cost of sales and services	-	38,822,523	75,664,961
Claims expense	139,339,697	-	-
Salaries and benefits	-	3,738,554	1,480,387
Insurance premium expense	-	15,977	3,902
Contractual services	-	999,009	122,514
Repairs and maintenance	-	59,940	7,709
Depreciation	-	299,597	13,140
Rental expense	-	52,210	193,407
Utilities and property management	-	325,230	99,951
Non-capital equipment purchased	-	74,416	8,311
Promotions and advertising	-	69,057	687,950
Administration expenses	-	62,544	51,070
Supplies and parts	-	265,127	35,430
Distribution and postage	-	41,241	18,426
Travel	-	30,106	15,293
Other operating expenses	-	5,691,692	169,918
Total operating expenses	139,339,697	50,547,223	78,572,369
Operating income (loss)	(789,282)	1,153,221	22,358,151
NONOPERATING REVENUES (EXPENSES)			
Federal grants	38,238,794	-	-
Gain on disposal of capital assets	-	-	-
Investment income	11,275	-	147,771
Total nonoperating revenues (expenses)	38,250,069	-	147,771
Income (loss) before contributions, and transfers	37,460,787	1,153,221	22,505,922
Capital contributions to other funds	-	-	-
Transfers in	771,006	-	-
Transfers out	(815,785)	(880,066)	(22,328,096)
Changes in net assets	37,416,008	273,155	177,826
Total net assets, July 1	(11,199,590)	2,877,393	697,838
Total net assets, June 30	$ 26,216,418	$ 3,150,548	$ 875,664

The accompanying notes are an integral part of these financial statements.

Business-type Activities-Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
$ 3,472,621	$ -	$ 190,297,617	$ 256,111,298
-	-	100,927,079	-
-	-	-	13,306,677
-	-	1,241,195	-
1,004,760	-	1,004,760	-
373,898	-	373,898	-
159,550	-	2,347,659	4,477,866
5,010,829	-	296,192,208	273,895,841
3,819,100	-	118,306,584	30,163,411
-	-	139,339,697	144,668,123
681,944	-	5,900,885	34,411,952
7,150	-	27,029	4,343,017
268,750	-	1,390,273	5,377,958
477	-	68,126	8,732,833
1,936	-	314,673	7,896,880
9,246	-	254,863	2,574,599
19,060	-	444,241	11,013,004
9,720	-	92,447	2,329,519
136,416	-	893,423	36,170
42,715	-	156,329	7,472,880
5,183	-	305,740	10,108,627
366,779	-	426,446	88,354
2,900	-	48,299	123,745
32,889	-	5,894,499	2,676,799
5,404,265	-	273,863,554	272,017,871
(393,436)	-	22,328,654	1,877,970
-	-	38,238,794	-
-	-	-	(470,790)
1,251	-	160,297	94,556
1,251	-	38,399,091	(376,234)
(392,185)	-	60,727,745	1,501,736
-	-	-	(4,855)
1,065,785	(1,586,791)	250,000	7,994,383
(771,006)	1,586,791	(23,208,162)	(1,056,724)
(97,406)	-	37,769,583	8,434,540
1,986,837	-	(5,637,522)	9,363,590
$ 1,889,431	$ -	$ 32,132,061	$ 17,798,130

Total change in net assets reported above.....	$ 37,769,583
Consolidation adjustment of internal service activities related to enterprise funds.....	54,982
Change in net assets - business type activities...	$ 37,824,565

STATE OF VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 129,507,725	$ 64,371,163	$ 100,509,754
Cash paid to suppliers for goods and services	-	(46,401,055)	-
Cash paid to employees for services	-	(3,700,445)	(1,467,809)
Cash paid for prizes and commissions	-	-	(69,375,094)
Cash paid to claimants	(140,265,935)	-	-
Liquor taxes and licenses paid	-	(17,130,307)	-
Cash paid for fees, operations and other	-	-	(6,298,142)
Other operating revenues	-	3,425,863	3,441
Other operating expenses	-	(1,074)	-
Total cash provided (used) by operating activities	(10,758,210)	564,145	23,372,150
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in (out)	(65,751)	(880,066)	(22,328,096)
Other nonoperating (expenses)	-	-	-
Interfund loans and advances	-	(425)	-
Federal grants	48,262,957	-	-
Temporary loan from federal government	-	-	-
Net cash provided (used) by noncapital financing activities	48,197,206	(880,491)	(22,328,096)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(203,037)	-
Proceeds from capital leases	-	-	-
Proceeds from sale of capital assets	-	-	-
Net cash provided (used) by capital and related financing activities	-	(203,037)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	-	-	(64,660)
Proceeds from sales/maturities of investments	-	-	247,077
Interest and penalties received (paid)	11,275	-	-
Net cash provided (used) by investing activities	11,275	-	182,417
Net increase (decrease) in cash and cash equivalents	37,450,271	(519,383)	1,226,471
Cash and cash equivalents, July 1	37,833,410	2,712,193	2,254,250
Cash and cash equivalents, June 30	$ 75,283,681	$ 2,192,810	$ 3,480,721
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	$ (789,282)	$ 1,153,221	$ 22,358,151
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	-	299,597	13,140
(Increase) decrease in accounts/taxes receivable	(9,042,690)	(723,952)	(414,506)
(Increase) decrease in loans receivable	-	-	-
(Increase) decrease in accrued interest receivable	-	-	-
(Increase) decrease in due from other funds	-	(161)	-
(Increase) decrease in inventory	-	(115,260)	(12,695)
(Increase) decrease in prepaid expenses	-	-	(5,819)
Increase (decrease) in accounts payable	-	88,709	456,373
Increase (decrease) in accrued salaries and benefits	-	38,109	12,577
Increase (decrease) in claims payable	(496,772)	-	-
Increase (decrease) in due to lottery winners	-	-	(170,017)
Increase (decrease) in due to agents	-	93,567	-
Increase (decrease) in future and unclaimed prizes payable	-	-	1,131,946
Increase (decrease) in due to other funds	-	(311,262)	-
Increase (decrease) in deferred revenues	-	1,650	3,000
Increase (decrease) in other liabilities	(429,466)	39,927	-
Increase (decrease) in subscription reserves	-	-	-
Total adjustments	(9,968,928)	(589,076)	1,013,999
Net cash provided (used) by operating activities	$ (10,758,210)	$ 564,145	$ 23,372,150
Noncash investing, capital, and financing activities:			
Contributions of capital assets to/from other funds	-	-	-
Retirement of assets not fully depreciated	-	-	-
Receipt of inventory from other funds on consignment	-	-	-

NOTE: Total cash and cash equivalents at June 30 on the cash flow statement is equal to cash/cash equivalents, cash subscription reserve fund, and imprest cash on the Statement of Net Assets.

The accompanying notes are an integral part of these financial statements.

Business-type Activities-Enterprise Funds		Governmental Activities
Non-major Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
$ 4,860,013	$ 299,248,655	$ 258,766,462
(4,278,729)	(50,679,784)	(79,490,304)
(674,590)	(5,842,844)	(33,986,243)
-	(69,375,094)	-
-	(140,265,935)	(140,284,046)
-	(17,130,307)	-
-	(6,298,142)	-
105,091	3,534,395	4,477,866
(62,341)	(63,415)	(2,676,799)
(50,556)	13,127,529	6,806,936
315,751	(22,958,162)	6,937,659
-	-	-
58,923	58,498	4,592,529
-	48,262,957	-
-	-	-
374,674	25,363,293	11,530,188
-	(203,037)	(10,753,426)
-	-	(502,646)
-	-	1,498,032
-	(203,037)	(9,758,040)
1,251	(63,409)	94,556
-	247,077	-
-	11,275	-
1,251	194,943	94,556
325,369	38,482,728	8,673,640
1,582,771	44,382,624	53,625,051
$ 1,908,140	$ 82,865,352	$ 62,298,691
$ (393,436)	$ 22,328,654	$ 1,877,970
1,936	314,673	7,896,880
(153,870)	(10,335,018)	(6,736,579)
322,118	322,118	-
(3,199)	(3,199)	-
195	34	(5,095,130)
(102,234)	(230,189)	266,443
65,733	59,914	(40,427)
71,581	616,663	4,677,970
3,497	54,183	432,402
-	(496,772)	4,384,077
-	(170,017)	-
-	93,567	-
-	1,131,946	-
3,857	(307,405)	(847,504)
120,300	124,950	(9,166)
(115)	(389,654)	-
13,081	13,081	-
342,880	(9,201,125)	4,928,966
$ (50,556)	$ 13,127,529	$ 6,806,936
-	-	(4,855)
-	-	(1,257,956)
-	-	9,097

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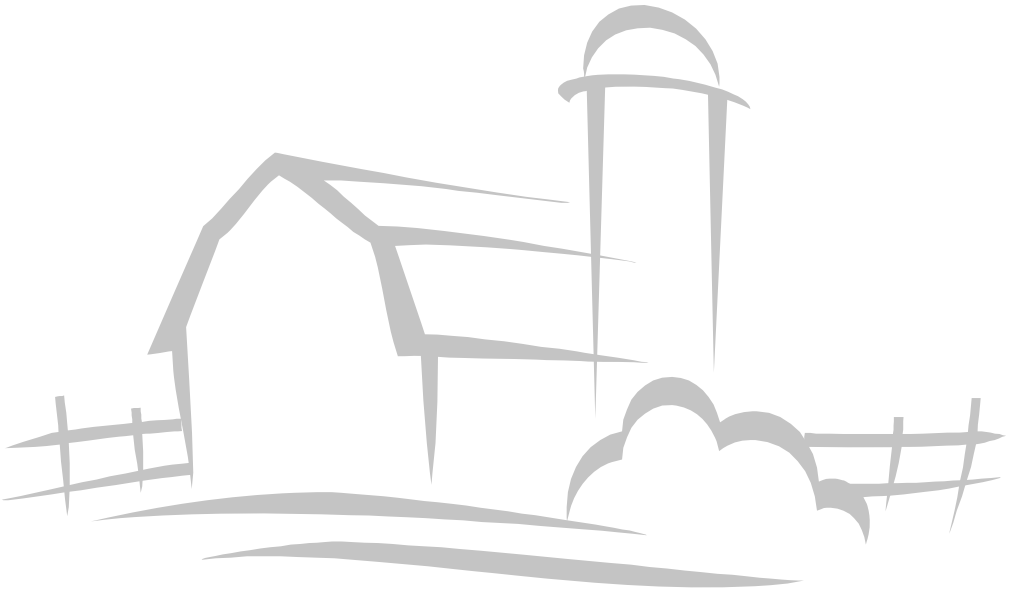

Vermont

FIDUCIARY FUNDS
FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Pension and Other Postemployment Benefits Trust Funds	Investment Trust Fund	Private Purpose Trust Fund Unclaimed Property Fund	Agency Funds
ASSETS				
Cash and cash equivalents	$ 13,429,702	$ -	$ 5,701,500	$ 8,015,999
Investments at fair value				
Pooled investments	3,264,255,973	124,988,200	-	-
Fixed income	7,177,476	-	-	-
Equities	3,051,156	-	1,245,925	-
Mutual funds	145,113,215	-	-	-
Receivables				
Taxes	-	-	-	1,779,747
Contributions - current	10,192,510	-	-	-
Contributions - noncurrent	6,774,199	-	-	-
Interest and dividends	350,606	-	-	-
Due from other funds	376,775	-	-	-
Other	551,086	-	-	1,753,439
Prepaid expenses	-	-	-	-
Other assets	-	-	2,641,662	-
Capital assets				
Construction in progress	3,495,776	-	-	-
Capital assets being depreciated				
Equipment	2,173,383	-	1,627	-
Less accumulated depreciation	(796,511)	-	(619)	-
Total capital assets, net of depreciation	4,872,648	-	1,008	-
Total assets	3,456,145,346	124,988,200	9,590,095	11,549,185
LIABILITIES				
Accounts payable	4,965,569	112,915	24,457	-
Accrued liabilities	-	-	29,405	-
Claims payable	-	-	6,646,394	-
Retainage payable	608,733	-	-	-
Interfund loans payable	-	132,458	-	249,754
Due to depositories	-	-	-	1,839
Intergovernmental payable - other governments	-	-	-	7,263,681
Amounts held in custody for others	-	-	-	2,895,603
Other liabilities	-	-	-	1,138,308
Total liabilities	5,574,302	245,373	6,700,256	$ 11,549,185
NET ASSETS HELD IN TRUST FOR				
Employees' pension benefits	3,426,405,831	-	-	
Employees' other postemployment benefits	24,165,213	-	-	
Pool participants	-	124,742,827	-	
Individuals, organizations and other governments	-	-	2,889,839	
Net assets held in trust for benefits and other purposes	$ 3,450,571,044	$ 124,742,827	$ 2,889,839	

The accompanying notes are an integral part of these financial statements.

STATE OF VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Pension and Other Postemployment Benefits Trust Funds	Investment Trust Fund	Private Purpose Trust Fund Unclaimed Property Fund
ADDITIONS			
Contributions			
Employer - pension benefit	$ 95,539,776	$ -	$ -
Employer - healthcare benefit	36,365,470	-	-
Plan member	72,174,075	-	-
Transfers from non-state systems	19,494	-	-
Medicare part D drug subsidy	3,459,142	-	-
Early retiree reinsurance program	2,747,713	-	-
Total contributions	210,305,670	-	-
Investment Income			
Net depreciation in fair value of investments	(1,296,994)	-	-
Income from pooled investments	67,797,878	2,868,718	-
Dividends	4,123,018	-	-
Interest income	729,527	-	448,451
Securities lending income	1,384,902	-	-
Other income	74,289	-	-
Total investment income	72,812,620	2,868,718	448,451
Less Investment Expenses			
Investment managers and consultants	13,978,639	508,341	-
Securities lending expenses	325,384	-	-
Total investment expenses	14,304,023	508,341	-
Net investment income	58,508,597	2,360,377	448,451
Pool participant deposits	-	2,000,000	-
Escheat property remittances	-	-	5,707,558
Total additions	268,814,267	4,360,377	6,156,009
DEDUCTIONS			
Retirement benefits	232,178,946	-	-
Other postemployment benefits	46,697,659	-	-
Refunds of contributions	5,094,538	-	-
Death claims	856,260	-	-
Depreciation	237,413	-	219
Operating expenses	3,496,824	8,487	853,713
Pool participant withdrawal	-	2,500,000	-
Transfers out	-	-	3,725,089
Total deductions	288,561,640	2,508,487	4,579,021
Change in net assts held in trust for			
Employees' pension benefits	(21,702,195)	-	-
Employees' other postemployment benefits	1,954,822	-	-
Pool participants	-	1,851,890	-
Individuals, organizations and other governments	-	-	1,576,988
Net Assets, July 1	3,470,318,417	122,890,937	1,312,851
Net Assets, June 30	$ 3,450,571,044	$ 124,742,827	$ 2,889,839

The accompanying notes are an integral part of these financial statements.

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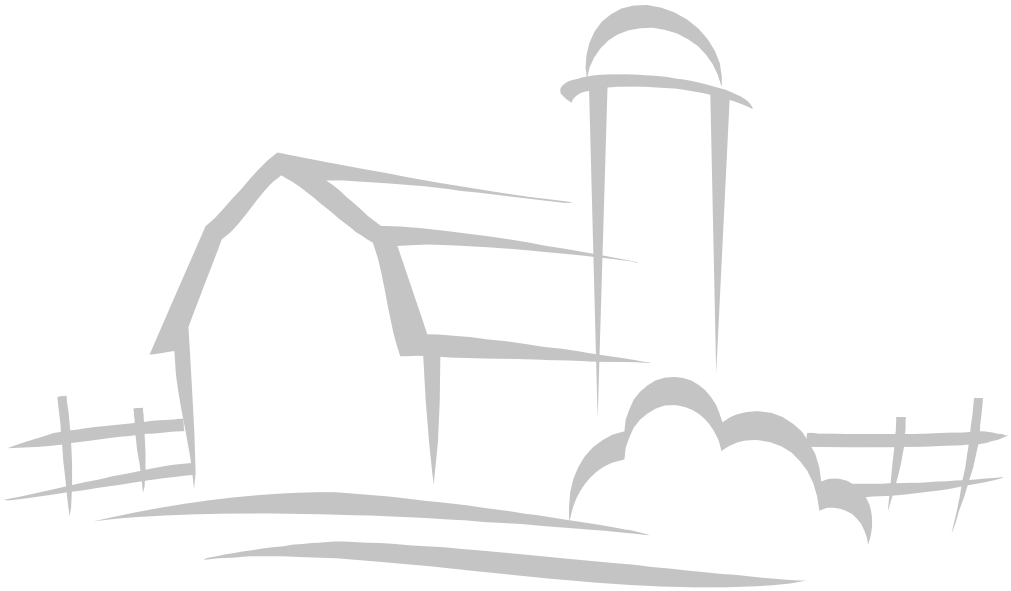

Vermont

COMPONENT UNITS
FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2012

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major Component Units	Total Component Units
ASSETS						
Current Assets						
Cash and cash equivalents	$ 33,471,000	$ 71,649,000	$ 38,682,802	$ 3,890,000	$ 22,082,094	$ 169,774,896
Investments	3,126,000	130,608,000	15,072,756	2,093,000	14,336,457	165,236,213
Accounts receivable, net	-	14,581,000	10,091,212	-	2,583,901	27,256,113
Accrued interest receivable - loans	19,505,000	-	-	3,323,000	20,536,636	43,364,636
Accrued interest receivable - investments	26,000	-	-	604,000	-	630,000
Loans and notes receivable - current portion	170,290,000	3,004,000	-	14,117,000	61,375,611	248,786,611
Other receivables	1,178,000	3,359,000	-	2,354,000	194,552	7,085,552
Due from federal government	262,000	13,849,000	-	-	16,269,145	30,380,145
Due from primary government	-	-	-	-	54,871	54,871
Inventories, at cost	-	1,574,000	253,839	-	145,198	1,973,037
Other current assets	1,347,000	8,638,000	1,058,338	-	7,802,102	18,845,440
Total current assets	229,205,000	247,262,000	65,158,947	26,381,000	145,380,567	713,387,514
Restricted and Noncurrent Assets						
Cash and cash equivalents	297,265,000	8,220,000	854,558	146,669,000	3,121,938	456,130,496
Investments	-	315,188,000	22,327,478	127,385,000	76,951,021	541,851,499
Deferred bond issue costs	-	-	-	6,779,000	6,201,211	12,980,211
Loans and notes receivable, net	1,465,593,000	27,122,000	5,207,715	423,543,000	765,650,689	2,687,116,404
Other assets	-	5,818,000	17,777,999	21,748,000	6,037	45,350,036
Total restricted and noncurrent assets	1,762,858,000	356,348,000	46,167,750	726,124,000	851,930,896	3,743,428,646
Capital Assets						
Land	3,150,000	25,667,000	6,368,565	50,000	821,468	36,057,033
Construction in progress	-	-	7,075,650	-	267,637	7,343,287
Capital assets, being depreciated						
Buildings and leasehold improvements	16,981,000	732,885,000	233,694,257	1,747,000	30,887,686	1,016,194,943
Equipment, furniture and fixtures	9,070,000	153,173,000	16,581,175	1,227,000	4,560,055	184,611,230
Infrastructure	-	-	34,420,140	-	-	34,420,140
Less accumulated depreciation	(11,514,000)	(367,714,000)	(116,791,424)	(2,214,000)	(16,502,307)	(514,735,731)
Total capital assets, net of depreciation	17,687,000	544,011,000	181,348,363	810,000	20,034,539	763,890,902
Total assets	2,009,750,000	1,147,621,000	292,675,060	753,315,000	1,017,346,002	5,220,707,062
LIABILITIES						
Current Liabilities						
Accounts payable and accrued liabilities	4,853,000	54,135,000	14,124,206	731,000	4,184,019	78,027,225
Accrued interest payable	-	-	-	4,977,000	107,584	5,084,584
Bond interest payable	944,000	-	-	-	1,986,088	2,930,088
Unearned revenue	6,341,000	16,363,000	6,484,210	65,000	3,034,184	32,287,394
Other current liabilities	-	-	-	491,000	19,862,172	20,353,172
Current portion of long-term liabilities	25,450,000	7,839,000	4,940,334	87,317,000	188,233,007	313,779,341
Due to primary government	-	-	-	-	42,530	42,530
Escrowed cash deposits	-	-	-	5,873,000	118,107	5,991,107
Advances from primary government	-	-	-	-	2,288,922	2,288,922
Total current liabilities	37,588,000	78,337,000	25,548,750	99,454,000	219,856,613	460,784,363
Noncurrent liabilities						
Bonds, notes and leases payable	1,794,552,000	465,281,000	136,258,923	549,445,000	519,176,625	3,464,713,548
Accounts payable and accrued liabilities	-	13,300,000	92,178	-	-	13,392,178
Accrued arbitrage rebate	22,663,000	-	-	-	513,309	23,176,309
Other liabilities	-	109,178,000	59,345,098	17,747,000	5,584	186,275,682
Total noncurrent liabilities	1,817,215,000	587,759,000	195,696,199	567,192,000	519,695,518	3,687,557,717
Total liabilities	1,854,803,000	666,096,000	221,244,949	666,646,000	739,552,131	4,148,342,080
NET ASSETS						
Invested in capital assets, net of related debt	677,000	72,272,000	51,786,211	810,000	17,038,689	142,583,900
Restricted	113,884,000	357,943,000	20,638,547	81,300,000	229,455,178	803,220,725
Unrestricted	40,386,000	51,310,000	(994,647)	4,559,000	31,300,004	126,560,357
Total net assets	$ 154,947,000	$ 481,525,000	$ 71,430,111	$ 86,669,000	$ 277,793,871	$ 1,072,364,982

The accompanying notes are an integral part of these financial statements.

STATE OF VERMONT
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2012

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major Component Units	Total Component Units
Expenses						
Salaries and benefits	$ 19,821,000	$ 373,829,000	$ 120,814,241	$ 2,863,000	$ 19,604,738	$ 536,931,979
Other expenses	42,083,000	174,298,000	48,581,832	7,012,000	66,353,122	338,327,954
Scholarship, grants and fellowships	26,053,000	16,245,000	7,908,653	-	-	50,206,653
Depreciation	1,296,000	28,721,000	7,624,758	112,000	1,268,350	39,022,108
Interest on debt	11,963,000	21,043,000	6,397,681	27,078,000	1,746,764	68,228,445
Total expenses	101,216,000	614,136,000	191,327,165	37,065,000	88,972,974	1,032,717,139
Program Revenues						
Charges for services	59,239,000	359,596,000	117,848,254	704,000	47,462,467	584,849,721
Operating grants and contributions	45,227,000	217,771,000	63,393,587	-	35,411,681	361,803,268
Capital grants and contributions	-	6,687,000	2,157,985	-	991,058	9,836,043
Total program revenues	104,466,000	584,054,000	183,399,826	704,000	83,865,206	956,489,032
Net revenue (expense)	3,250,000	(30,082,000)	(7,927,339)	(36,361,000)	(5,107,768)	(76,228,107)
General Revenues						
Property transfer tax	-	-	-	-	8,047,500	8,047,500
Investment income	458,000	-	1,334,768	33,816,000	8,533,149	44,141,917
Additions to non-expendable endowments	-	-	990,077	-	-	990,077
Miscellaneous	4,881,000	-	-	3,941,000	777,087	9,599,087
Total general revenues	5,339,000	-	2,324,845	37,757,000	17,357,736	62,778,581
Changes in net assets	8,589,000	(30,082,000)	(5,602,494)	1,396,000	12,249,968	(13,449,526)
Net assets - beginning, as restated	146,358,000	511,607,000	77,032,605	85,273,000	265,543,903	1,085,814,508
Net assets - ending	$ 154,947,000	$ 481,525,000	$ 71,430,111	$ 86,669,000	$ 277,793,871	$ 1,072,364,982

The accompanying notes are an integral part of these financial statements.

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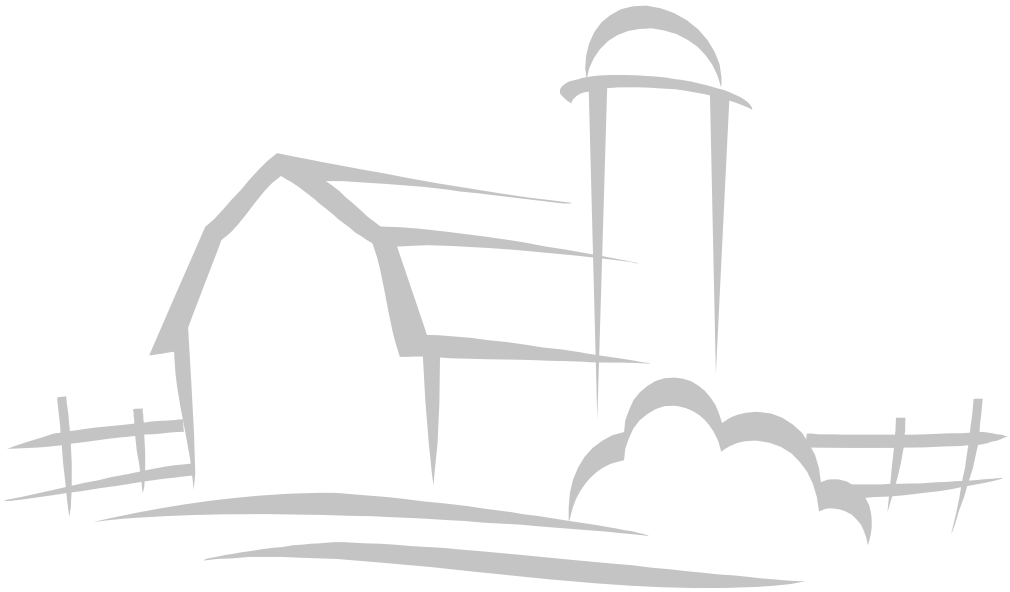

Vermont

State of Vermont
Notes to the Financial Statements
Fiscal Year Ended June 30, 2012

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Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Vermont (State) have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements present the financial position of the State, the results of operations of the State and the various funds and fund types, and the cash flows of the various proprietary funds. The financial statements are presented as of and for the period ending June 30, 2012.

A. Reporting Entity

The basic financial statements include all funds of the primary government (the State), as well as component units that have been determined to meet the requirements for inclusion in the State's financial reporting entity.

Component Units are entities that, although legally separate from the State, have been included because they are either financially accountable to the State, or have relationships with the State such that exclusion would cause the State's financial statements to be misleading or incomplete. Their activity may be "blended" into the activity of the primary government or may be reported separately. If they are reported separately, they are called "discretely presented component units." Each discretely presented Component Unit's designation as either "major" or "non-major" has been determined by applying the criteria of GASB Statement No. 34. See Section C – Fund Financial Statements – for definitions of major and non-major funds. Additional information as well as separately issued financial reports may be obtained by contacting the individual entity desired at the address given in the following text.

The "Discretely Presented Component Units" contained in the government-wide financial statements report the financial results of the following entities:

Discretely Presented Major Component Units

Vermont Student Assistance Corporation (VSAC) – VSAC was established by the Vermont Legislature to provide opportunities for persons who are residents of Vermont to attend colleges or other institutions of higher education by awarding grants and by making, financing, servicing, and guaranteeing loans to qualifying students. The Governor of the State appoints five of the eleven members of the Board of Directors and the State of Vermont has the ability to impose its will upon VSAC through its ability to change or alter the organization, structure or programs. For further information, contact their administrative offices at 10 East Allen Street, P.O. Box 2000, Winooski, Vermont 05404.

*University of Vermont (UVM)** - The University of Vermont's financial report includes both the University and the State Agricultural College. The State appoints thirteen of the fifteen members of the Board of trustees. Currently, 36% of UVM's budget comes from State and Federal appropriations, and private grants. Additional information may be obtained by contacting the university's administrative offices at 348 Waterman Building, Burlington, Vermont 05405.

Vermont State College System (VSC) – The Vermont State College System's annual report includes the financial activity for the following organizations:

System Offices and Services
Community College of Vermont
Castleton State College
Johnson State College

Lyndon State College
Vermont Technical College
Vermont Interactive Television
Allied Health Nursing Program
Vermont Manufacturing Extension Center

The Governor, with the advice and consent of the Senate, appoints all 15 members of the board of directors. VSC also has a fiscal dependency on the State of Vermont. Additional information about the system itself or about any of the individual organizations included in the system may be obtained by contacting the Office of the Chancellor, Vermont State Colleges, PO Box 7, Montpelier VT 05601.

Vermont Housing Finance Agency (VHFA) – The VHFA was created in 1974 by an Act of the General Assembly of the State of Vermont for the purpose of financing and promoting affordable, safe and decent housing opportunities for low- and moderate-income Vermonters. VHFA is legally separate from the State. The State appoints the majority of the VHFA's board of commissioners. VHFA has a fiscal dependency on the State of Vermont. Further information may be obtained by contacting the Agency's administrative offices at 164 Saint Paul Street, Burlington, VT 05401.

Discretely Presented Non-major Component Units

*Vermont Economic Development Authority (VEDA)** – VEDA, a tax-exempt entity, was created by the Vermont Legislature for the purpose of promoting economic prosperity in the State by directly financing eligible businesses and projects including manufacturing, agricultural, and travel and tourism enterprises; and by operating programs which provide eligible borrowers with access to capital. The authority has 12 voting members consisting of the secretary of the agency of commerce and community development, the State treasurer, the secretary of agriculture, food and markets, or a designee of any of the above; and nine members, who are residents of the State of Vermont and appointed by the governor with the advice and consent of the senate. The State has the ability to impose its will on the entity. The entity's services primarily benefit the Vermont citizenry.

VEDA also administers the State Infrastructure Bank (SIB), the Drinking Water State Revolving Loan Fund – Private Loans, the Brownsfield Revitalization Fund, and the Clean Energy Development Fund. These four funds are administered for the benefit of the State and are consolidated and reported in VEDA's agency fund. Audited financial statements and additional information may be obtained by contacting VEDA at 58 East State Street, Suite 5, Montpelier, Vermont 05602.

Vermont Housing and Conservation Board (VHCB) – The Legislature created and charged this organization with two goals: create affordable housing for Vermont residents; and conserve and protect Vermont's agricultural lands, historic properties, important natural areas, and recreational lands. The VHCB's Board of Directors is appointed by the Governor of the State of Vermont and there is a material financial relationship. The VHCB issues audited financial statements under separate cover. Additional information may be obtained by contacting them at 58 East State Street,, Suite 5 Montpelier, Vermont 05602.

Vermont Sustainable Jobs Fund, Inc. (VSJF) – The Vermont Legislature established a jobs program and directed VEDA to set up a non-profit 503(c)(3) corporation to implement the program and to establish policies and procedures in order to fulfill the goals of the jobs program as listed in 10 V.S.A. 326(a). The majority of the voting members of the Board are indirectly appointed by the State. Additionally, the VSJF program works collaboratively with the agency of agriculture, food and markets to assist the Vermont slaughterhouse industry in supporting its efforts at productivity and sustainability. Audited financial statements and additional information may be obtained by contacting them at 58 East State Street, Suite 5, Montpelier, Vermont 05602.

Vermont Municipal Bond Bank (VMBB) – The Vermont Legislature established the VMBB for the express purpose of fostering and promoting adequate capital markets and facilities for borrowing money by governmental units of the State of Vermont for the financing of public improvements or other public purposes. VMBB is authorized, with written consent of the Governor or the State Treasurer, to carry out these charges by

borrowing money or by issuing its own bonds and notes to obtain funds which are then utilized to purchase bonds and notes issued by local governmental entities. It has an annual fiscal year (December 31) and issues audited financial statements under separate cover.

VMBB also administers the Special Environmental Revolving Fund in accordance with 24 V.S.A. 4753(b). This fund was created by the Vermont Legislature for the purpose of fostering and promoting timely expenditures by municipalities for water supply, water pollution control, and solid waste management. The fund has a June 30 year-end and issues its own audited financial statements. For financial reporting purposes, its financial statements have been consolidated with the State's Federal Revenue Fund financial statements in this CAFR. Further information regarding VMBB or the Special Environmental Revolving Fund may be obtained by contacting VMBB at 20 Winooski Falls Way, Winooski VT 05404.

Vermont Educational and Health Buildings Financing Agency (VEHBFA) – VEHBFA is a non-profit entity which finances or assists in the financing of projects for eligible Vermont educational or health related entities. The majority of the Board of VEHBFA is appointed by the Governor of the State. The Board may appoint officers, agents, consultants and employees and fix their compensation, subject to approval of the governor. It has a December 31 (annual) year-end and issues audited financial statements under separate cover. For additional information, they may be contacted at 20 Winooski Falls Way, Winooski VT 05404.

Vermont Center For Geographic Information (VCGI) –VCGI is a public non-profit chartered by the State of Vermont to assist the Vermont GIS Community with creating a comprehensive strategy for the development and use of a geographic information system. The State has the ability to impose its will on the entity as directors serve at the pleasure of the governor. Audited financial statements or additional information may be obtained by contacting them at 58 South Main Street, Suite 2, Waterbury, Vermont 05676.

Vermont Veterans' Home – The Vermont Veterans' Home was originally chartered in 1884 by the Vermont Legislature and incorporated on November 24, 1884. A Board of Trustees appointed by the Governor oversees the operations of the Vermont Veterans' Home. The Vermont Veterans' Home is financially accountable to the State, and is therefore included as a discretely presented component unit in Vermont's CAFR. The Vermont Veterans' Home issues its own audited financial statements under separate cover. Additional information may be obtained by contacting them at 325 North Street, Bennington, Vermont 05201.

Vermont Rehabilitation Corporation – The Vermont Rehabilitation Corporation is a non-profit quasi-public corporation that was incorporated in 1935 in accordance with 10 V.S.A. 272-277. Its main purpose is to provide a limited source of loan funds to family farmers or prospective family farmers under terms and conditions which will reduce their investment costs to an extent that offers them a reasonable chance to succeed. The Vermont Rehabilitation Corporation is fiscally dependent on the State as its primary source of funding is from the Agency of Natural Resources. Additional information may be obtained by contacting the Vermont State Treasurer at 109 State Street, 4th Floor, Montpelier, Vermont 05609-6200.

Vermont Film Corporation – The legislature repealed the statutes that created this corporation, and net assets were transferred to the Department of Tourism and Marketing.

Vermont Telecommunications Authority – The Vermont Telecommunications Authority was created in June 2007 pursuant to 30 V.S.A. 8061, for the purposes of ensuring that all regions of the State have access to affordable broadband and mobile telecommunications services and promoting and facilitating ongoing upgrades in statewide telecommunications infrastructure in the most efficient and economically feasible manner. The Vermont Telecommunications Authority is considered a component unit of the State as the State has the ability to impose its will on this legally separate entity. Additional information may be obtained by contacting the corporation at 100 State Street, Suite 342, Montpelier VT 05620-3205.

Vermont Transportation Authority (VTA) – The Vermont Legislature specifically authorized the creation of VTA pursuant to the acquisition, operation, and support of an authorized transportation facility as defined in 29 V.S.A. 701. The VTA, currently inactive, has remained in the State Statutes in case it becomes necessary to reactivate it in the future. Additional information may be obtained from the Agency of Transportation – Rail Division, National Life Building, Montpelier, Vermont 05633–5001.

* - Indicates entity was audited by KPMG LLP.

Blended Component Unit

Vermont Information Technology Leaders, Inc. (VITL) – VITL is a legally separate non-profit public corporation whose vision is a health care system where health information is secure and readily available. VITL is a multi-stakeholder partnership facilitating participation in the process by providers, payers, employers, patients, and State agencies. VITL provides services almost entirely to the State of Vermont and therefore is reported as part of the primary government as a blended component unit. The financial statements for this component unit have been blended into the State's Special Fund. For further information, contact their administrative offices at 144 Main Street, Suite 1, Montpelier, Vermont 05602.

JOINT VENTURES

A joint venture is a legal entity or other contractual arrangement that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. The Tri-State Lotto Commission (31 V.S.A. 673) is classified as a joint venture. The financial activities' of this organization have not been included in the State's financial statements; however, see Note 13 for additional information regarding the organization.

JOINTLY-GOVERNED ORGANIZATIONS

The following organizations are classified as jointly-governed organizations, because they represent units over which control is exercised jointly by the State along with various other governmental agencies. There is no specific ongoing financial benefit or burden for the State associated with these organizations, which distinguishes these arrangements from those classified as joint ventures. The financial activities of these organizations are not included in the State's financial statements.

Connecticut River Valley Flood Control Commission (10 V.S.A. 1153)
New England Board of Higher Education (16 V.S.A. 2692)
New England Interstate Water Pollution Control Commission (10 V.S.A. 1333)
Northeastern Forest Fire Protection Commission (10 V.S.A. 2503)

RELATED ORGANIZATIONS

Related organizations are separate legal entities for which the primary government appoints a voting majority of the board members, but does not have either (a) the ability to impose its will on the organization or (b) a relationship of financial benefit or burden with the organization. The Vermont State Housing Authority (24 V.S.A. 4005) has been classified as a related organization, and thus their financial activity has not been included in the State's financial statements.

EXCLUDED ORGANIZATIONS

The following entities have been determined not to be part of the reporting entity after applying the criteria of GASB Statement No. 14 "The Financial Reporting Entity."

Vermont Council on the Humanities
Vermont Council on the Arts
Vermont Historical Society
Vermont Public Power Supply Authority
Connecticut River Atlantic Salmon Commission (10 V.S.A. 4654)
Texas Low Level Radioactive Waste Disposal Compact (10 V.S.A. 7013)

These organizations have not been included in the reporting entity because they are legally separate entities and the voting majority of their governing boards are not appointed by the State. They are not fiscally dependent on the State's primary government and exclusion from the reporting entity would not render Vermont's financial statements incomplete or misleading.

B. Government-wide Financial Statements

The State of Vermont's Government-wide Financial Statements (the Statement of Net Assets and the Statement of Activities) report information on all of the financial activities of both the primary government and its component units, except fiduciary activity. Fiduciary fund activity has not been included in these entity-wide statements in accordance with the requirements of GASB Statement No. 34. For the most part, the effect of interfund activity has also been removed from these government-wide statements. Primary government activities are segregated between governmental activities and business-type activities. Governmental activities' sources of revenues are normally taxes and inter-governmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. Further, the primary government is reported separately from its legally separate component units.

The statement of activities demonstrates the degree to which direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Items not properly included among program revenues are reported instead as general revenues. Taxes and other resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net assets (the amount by which assets exceed liabilities) are reported on the Statement of Net Assets in three components:

(1) Invested in capital assets, net of related debt – total amount of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and other debt that is related to the acquisition or construction of those assets;

(2) Restricted – for amounts when constraints placed on the net assets are either externally imposed, or are imposed by constitutional provisions or enabling legislation.

(3) Unrestricted – the total net assets which do not fit the two preceding categories.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted assets first with unrestricted resources utilized as needed.

C. Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and major component units. Major governmental funds, major proprietary funds, and major component units are reported in individual columns in their respective fund financial statements. Non-major funds are combined and reported in a single column. The single test for classifying a fund as either major or non-major consists of applying the following two steps:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc) for all funds in that category or type (that is total governmental or total enterprise), **and**
b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

In addition to the above major fund criteria, any other governmental or enterprise fund that government officials believe is particularly important to financial statement users (i.e. because of public interest or for consistency) may be reported as a major fund.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Statewide education property taxes are recognized as revenues in the year for which the taxes are levied. This property tax is levied by the State on July 1, is included in the property tax bills levied by municipalities, and is collected by municipalities. The municipalities, by December 1 and June 1, must make payment to the State Treasurer in the amount specified by the Commissioner of Taxes.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of year-end. Major revenue sources considered susceptible to accrual include federal grants, interest on investments, and sales and income taxes. See special consideration for personal income tax revenue recognition under the “Receivables” section of this footnote.

Expenditures generally are recorded when a liability is due and payable, with the following exceptions:

a. Employees’ vested annual, personal, and compensatory leave time are recorded as expenditures when utilized. The amount of accumulated leave unpaid at the end of the fiscal year has been reported only in the accrual-basis financial statements and does not include any accruals for the State’s share of any payroll taxes that will be due when the expenditures are actually paid. See the “Compensated Absences” section of this footnote for additional information.
b. Interest on general long-term debt is recognized when due to be paid.
c. Debt service expenditures and claims and judgments are recorded only when payment is due to be paid.

Proprietary Funds, Fiduciary Funds, and Discretely Presented Proprietary Fund Type Component Units **–** The financial statements presented for these types of funds use the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liabilities are incurred. The State’s enterprise funds have elected not to apply standards issued by the Financial Accounting Standards Board (FASB) after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non–operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are categorized as non-operating revenues and expenses.

E. Fund Accounting

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. A fund is defined as a separate accounting entity with a self-balancing set of accounts. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The financial activities of the State that are reported in the accompanying financial statements have been classified into the following governmental, proprietary and fiduciary funds.

GOVERNMENTAL FUNDS

General Fund – The Vermont Legislature has established the General Fund as the basic operating fund of the State. As such, the General Fund is used to finance and to account for all expenditures for which no special revenues have otherwise been provided by law. All revenues received by the State and not otherwise required by law to be deposited in any other designated fund or used for any designated purpose are deposited in the General Fund. Unexpended and/or unencumbered appropriation balances will, unless otherwise directed by law, revert to fund balance at the end of the fiscal year to be re-appropriated in the future.

Special Revenue Funds **-** These funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects, and include the following:

Transportation Fund – This fund is a major special revenue fund. It is used primarily for preservation, maintenance, and improvements to the State's transportation infrastructure. This infrastructure includes highways, bridges, railroads, airports, public transportation, and other related activities. The fund is also used for construction of transportation capital facilities, and to provide funding for transportation related debt service requirements. The primary sources of revenue in this fund are motor fuel taxes, motor vehicle purchase and use tax, motor vehicle license and registration fees, traffic ticket revenue, other statutorily specified revenues, as well as reimbursements from the federal government for transportation projects.

Education Fund – This fund is a major special revenue fund. It was established by the Vermont Legislature to equalize statewide education funding requirements. Sources of funding and allowable expenditures are codified in 16 V.S.A. 4025. These allowable expenditures include payments to school districts and supervisory unions for the support of education, the costs of short-term borrowing, and statewide education tax income sensitivity adjustments. Funding includes the statewide education tax, allocations of other taxes, State lottery profits, Medicaid reimbursements, and appropriated transfers from the General Fund.

Special Fund – This fund is a major special revenue fund. It combines many individual special revenue funds that account for proceeds or specific revenues not categorized above that are limited to expenditures for specific purposes. These purposes cross the entire range of State government activities.

Federal Revenue Fund – This fund is a major special revenue fund. All federal grant receipts are recorded in this fund except for those federal funds specifically designated for human services, transportation or fish and wildlife purposes (which are recorded in the State's Global Commitment Fund, Transportation Fund or Fish and Wildlife Fund respectively).

Global Commitment (to Health) Fund – This fund is a major special revenue fund created in accordance with Section16c of 33 V.S.A. 1901e. It is the result of Vermont entering into a Medicaid demonstration waiver agreement with the Federal Government. The original waiver agreement was amended on January 1, 2011, and will expire on December 31, 2013. This agreement caps Federal expenditures in Medicaid services, but gives Vermont great latitude in promoting universal access to health care, cost containment, and effective administration. The State will be financially at risk for managing costs within the capped limits but stands to benefit from any savings realized from program efficiencies. As part of the agreement, the Agency of Human Resources (AHS) has contracted with the Department of Vermont Health Access (DVHA), which serves as a publicly sponsored managed care organization, and adheres to all Federal managed care organization regulations.

In addition to the grant received from the Federal Government, General and Special Fund resources are used to fund payments from the Agency of Human Services to the managed care organization within the DVHA for the purpose of providing services under the global commitment to health care waiver approved by the Federal Centers for Medicare and Medicaid Services under Section 1115 of the Social Security Act. These payments are reported as transfers out of the General and Special Funds and as transfers in to the Global Commitment Fund. These funds will be expended as appropriated by the general assembly, authorized by the Director of the DVHA, and approved by the Commissioner of Finance and Management consistent with agreements between the managed care organization within the DVHA and departments delivering eligible services under the waiver. These resources paid to the Global Commitment Fund are adjusted by the AHS each quarter to the actual expenditures paid.

Non-major governmental funds column includes the balances and activities of the following:

Fish and Wildlife Fund – This fund is a non-major special revenue fund. The fund's revenue is committed by statute and can only be utilized for fish and wildlife purposes. Principal sources of revenue include license fees and federal grants.

Capital Projects Funds – These funds, consisting of the General Obligation Bond Projects Fund and the Transportation Infrastructure Bond Projects Fund, are non-major governmental funds, and account for and report financial resources that are restricted, committed, or assigned to be used for expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. These capital expenditures may be for the State directly or for outside organizations such as the Vermont State College System, municipalities, etc.

Debt Service Funds—These funds, consisting of the General Obligation Debt Service Fund and the Transportation Infrastructure Debt Service Fund, are non-major governmental funds, and account for and report financial resources that are restricted, committed, or assigned to be used for expenditures for bond principal and interest.

Permanent Funds – These are non-major governmental funds that report resources that are legally restricted to the extent that only earnings, not principal, may be expended for purposes that benefit the government or citizenry, such as higher education, cemetery care, and monument preservation.

PROPRIETARY FUNDS

These funds account for those activities for which the intent of management is to recover the cost of providing goods or services to the general public or other departments of government primarily through user charges; or where prudent financial management dictates that periodic determinations of results of operations are appropriate. These funds include the following types:

Enterprise Funds – These nine funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The State's intent in these funds is to recover the costs including depreciation expense associated with providing the goods and services to the public primarily

through user charges. Three of these enterprise funds, reporting the activities of the State's unemployment compensation program, the liquor control board, and the State's lottery program, are reported as "major funds" while the remaining six are reported as non-major funds.

Unemployment Compensation Trust Fund – accounts for federal monies and unemployment taxes collected from employers to provide payment of benefits to the unemployed (21 V.S.A. Chapter 17).

Liquor Control Fund – accounts for the operations of the Liquor Control Board which purchases, distributes, and sells distilled spirits through its agency stores (7 V.S.A. Chapter 40).

Vermont Lottery Commission – accounts for the operations of the Vermont Lottery (31 V.S.A. Chapter 14). The net profits of the Vermont Lottery Commission used to support public education and are transferred monthly to the Education Fund.

Internal Service Funds – These twenty-three separate funds are used to account for the financing of goods and services provided by one State department to other State agencies, departments, or intergovernmental units. Their objective is not to make a profit but rather to recover the total cost of providing these goods and services by charging users of their services and products. Activities accounted for in the State's internal service funds include risk management; employee group insurance programs; equipment acquisition and maintenance; rental and maintenance of facilities; financial, human resource, audit, and information technology services; postage, copying and supply procurement services; and State vehicle fleet management. In the government-wide financial statements, Internal Service Funds are reported within the governmental activities.

FIDUCIARY FUNDS

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These funds include the following:

Pension and Other Postemployment Benefit Trust Funds – These funds are used to report assets and associated financial activity that are held in trust for the members and beneficiaries of the Vermont State Retirement (defined benefit) System, the Vermont State Defined Contribution Retirement System, the State Teachers' Retirement (defined benefit) System, the Vermont Municipal Employees' (defined benefit) Retirement System, the Vermont Municipal Employees' Defined Contribution Plan, the State's Single Deposit Investment Account, the State Employees' Postemployment Benefit Trust Fund and the Vermont Municipal Employees' Health Benefit Fund.

Investment Trust Fund – Under the authority granted in 3 V.S.A. 523, beginning in Fiscal Year 2009, the State Treasurer created and began accepting deposits into the Vermont Pension Investment Committee (VPIC) Investment Pool, an external investment pool. The investment trust fund is used to account for the investments of the external participants in the Pool.

Private Purpose Trust Fund – The State's only fund in this category is the *Unclaimed Property Fund*, which accounts for all abandoned property that is required to be remitted to the State. The Unclaimed Property Division in the State Treasurer's Office administers procedures for returning this property to its rightful owner if they can be located. In addition to monetary assets, from time to time, the Unclaimed Property Division may have custody of tangible property that has not been valued and therefore is not reported in the financial statements. Each year, the fund retains the greater of $100,000 or fifty percent of the amount received during the previous year, and the balance, after deduction for the Unclaimed Property Division's operating expenses, is transferred to the General Fund. Additionally, amounts which have been held by the Unclaimed Property Division for at least 10 years and which are less than $100 are transferred to the Vermont Higher Education Endowment Fund (a permanent fund). It should be noted that any of the funds so transferred above will be returned to their rightful owners upon request at any time in the future.

Agency Funds – These funds report assets and liabilities for deposits and investments entrusted to the State as agent for others. They have no fund balance and report items such as Federal income tax withholding, social security tax withholding, etc.

CASH AND CASH EQUIVALENTS

Cash balances for most funds are deposited with the State Treasurer. Except for the Pension Trust Funds, Investment Trust Fund, Capital Projects Funds, and the Single Deposit Investment Account Fund, cash balances deposited with the State Treasurer are pooled together and amounts that are not immediately required are invested in short-term investments.

Income earned by these short-term investments is allocated based on average daily balances to those funds authorized to receive it while any remaining earnings are deposited in the General Fund.

Cash and cash equivalents as reported in the financial statements include bank accounts, imprest cash, short-term investments with an original maturity of three months or less such as certificates of deposit, commercial paper, federal government agencies' discount notes, money market accounts, and repurchase agreements.

INVESTMENTS

Investments are stated at fair value. Fair values of investments are based on quoted market prices. Additional information regarding types of investments and basis of valuation, see Note 2.

RECEIVABLES

Receivables in the government-wide financial statements represent amounts due to the State at June 30 that will be collected at some time in the future. They consist primarily of accrued taxes and federal grants and are reported net of allowance for uncollectible accounts. See Note 6—Accounts Receivable for further information.

Receivables reported in the governmental funds financial statements consist primarily of accrued taxes, federal grants receivable, and notes receivable from drinking water and clean water special environmental loans. Other receivables include primarily fees, fines, and expenditure reimbursements due to the Medicaid program from drug companies and third party insurance companies. Revenues accrued in the governmental funds' financial statements consist primarily of accrued taxes, and notes receivable from component units that will be collected by the State within 60 days after year-end. Amounts estimated to be collected after the 60-day revenue recognition period are recorded as deferred revenues. Federal receivables are amounts due from the federal government to reimburse the State's expenditures incurred pursuant to federally funded programs. Federal grant revenues are accrued when the qualifying expenditure is incurred. Notes receivable in the General Fund consist primarily of Vermont Economic Development Authority notes purchased by the State. See Note 11 – Contingent Liabilities for further information. No allowances for uncollectible amounts have been recognized in these notes receivable.

INVENTORIES

Inventories of materials and supplies in governmental funds are recorded as expenditures when purchased. Inventories reported in the proprietary funds are valued at the lower of cost or market, except inventories reported in the Federal Surplus Property Fund (an enterprise fund) are reported at the federal acquisition cost. Cost valuation methods used in the various funds are as follows: weighted average method – Liquor Control enterprise fund, Vermont Life Magazine enterprise fund, Highway Garage internal service fund, and Offender Work Programs internal service fund; specific identification method – Vermont Lottery Commission enterprise fund, Federal Surplus Property enterprise fund, and State Surplus Property internal service fund; and first-in, first-out method – Postage internal service fund.

PREPAID EXPENSES

In the governmental funds, all purchases are recorded as expenditures when the invoice is entered for payment. In the proprietary and fiduciary funds, certain payments reflect costs applicable to future accounting periods and as such, are recorded as prepaid expenses. These prepaid items will be expensed as they are liquidated.

CAPITAL ASSETS AND DEPRECIATION

Capital assets, which include property, plant, equipment, art and historical treasures, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide Statements of Net Assets, and in the fund financial statements for the proprietary and fiduciary funds. All purchased capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated assets are valued at estimated fair market value on the date donated to the State.

Capital assets, except as stated below, have an initial cost of at least $5,000, and that provide a future economic benefit for more than 1 year. This includes capital leases and buildings that are not considered to be part of an infrastructure asset. All land and land use rights, regardless of cost, are capitalized and are not depreciated. Infrastructure assets are defined as long-lived economic resources that are normally stationary in nature, utilized primarily by the general public as opposed to State employees, cost at least $50,000 and provide future economic benefit for more than 1 year. Normally, infrastructure assets are much greater in value, have a longer economic life, and can be preserved for a greater number of years than most capital assets. Software with a cost of at least $150,000 and a useful life of more than one year is capitalized.

Capital assets are depreciated over their useful lives using the straight-line mid-month depreciation method. Useful lives for buildings are 20 to 50 years, equipment is 3 to 24 years, software is 3 to 10 years, and infrastructure assets are 6 to 80 years. Additional disclosures related to capital assets and assets acquired through capital leases are found in Notes 4 and 7, respectively.

When a capital asset is disposed of, its cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. Repairs and maintenance are recorded as expenses. Significant renewals and improvements that increase the life expectancy are capitalized and deductions are made for retirements resulting from the renewals or improvements. Interest incurred on debt issued for construction of governmental activities capital assets is not capitalized.

The majority of the historic artifacts and collections that are maintained by the various State agencies and departments are not included in the capital asset reporting. The items not reported are protected and preserved, held for public exhibition and educational purposes and the proceeds from any sales of such items are used to acquire new items for the collection.

DEFERRED REVENUE

Revenues in the government-wide financial statements and the proprietary fund financial statements are deferred if cash has been received prior to being earned. In governmental fund statements deferred revenues are recognized when revenues are unearned or unavailable.

ACCOUNTS PAYABLE

The accounts payable balances contained in the financial statements consist of operating liabilities that were incurred prior to year-end, and where payment was actually made subsequent to year-end. When paying its liabilities, it is the policy of the State to apply restricted resources first to situations where either restricted or unrestricted net assets may be used.

ACCRUED LIABILITIES

Accrued liabilities consist of employee wages and related fringe benefit accruals earned by employees as of the statement date. Retainage payable consists of withheld portions of progress payment amounts made to contractors which will be paid by the State to the contractors upon final completion and acceptance of the contracted item or service.

TAX REFUNDS PAYABLE

Tax refunds payable primarily represent amounts owed by the State to taxpayers because of overpayment of their income tax liabilities. Tax refunds payable, which reduce respective tax revenues, are accrued to the extent they are measurable based on payments and estimates. The amount reported as tax refunds payable at June 30, 2012 in the governmental funds statements is comprised of tax refunds for filed tax returns due and payable at June 30, 2012. The amount reported as tax refunds payable at June 30, 2012 in the government–wide financial statements is comprised of estimated tax liability overpayments for the first and second calendar quarters of year 2012's tax liability as well as overpayments for calendar year 2011 and prior years' tax liabilities that have not been paid out as of June 30, 2012.

ARBITRAGE REBATE OBLIGATIONS

In accordance with Section 148(f) of the U.S. Internal Revenue Code, the State must rebate to the U.S. Government the excess of interest earned from the investment of certain debt proceeds over the yield rate of the applicable debt. Arbitrage rebate, if any, is due and payable on each five-year anniversary of the respective debt issue. As of June 30, 2012, the primary government had no outstanding arbitrage rebate obligation. The arbitrage rebate liabilities reported by the discretely-presented component units are included in "Other Long-term Liabilities" in the government-wide statement of net assets.

ENCUMBRANCES

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. When the terms of the purchase order or contract have been fulfilled and payment to the contracting party is due, the encumbrance is liquidated and the liability and expenditure are recorded. Encumbrances remaining at fiscal year-end are reported within the restricted, committed, or assigned fund balances of the governmental funds, as appropriate. The amount of the encumbrances remaining in the general fund, reported as assigned fund balances, is $6,833,852.

FUND BALANCES

The fund balance amounts for governmental funds have been classified in accordance with GASB Statement No. 54—"Fund Balance Reporting and Government Fund Type Definitions." Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portions of loans or notes receivable, or property held for resale unless the use of the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

- Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the Vermont Legislature, the State's highest level of decision-making authority. This formal

action is the passage of a law by the legislature specifying the purposes for which amounts can be used. The same type of formal action is necessary to remove or change the specified use.

· Assigned fund balance includes amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted or committed. For governmental fund types other than the General Fund, this is the residual amount within the fund that is not restricted or committed. In the General Fund, amounts are assigned by the Agency of Administration under authorization by the Legislature in the annual Budget Adjustment Act.

· Unassigned fund balance is the residual amount of the General Fund not included in the four categories above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

When both restricted and unrestricted amounts are available for use, generally it is the State's policy to use restricted amounts first, with unrestricted resources utilized as needed. In the case of unrestricted resources, it is generally the State's policy to use committed amounts first, followed by assigned amounts, then unassigned amounts as needed.

The composition of the fund balances of the governmental funds for the fiscal year ended June 30, 2012 are shown on the following page.

Governmental Funds' Fund Balances

	General Fund	Transportation Fund	Education Fund	Special Fund	Federal Revenue Fund	Global Commitment Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable								
Advances	$ 1,330,235	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,330,235
Long-term Notes Receivable	728,749	-	-	-	-	-	-	728,749
Permanent Fund Principal	-	-	-	-	-	-	7,416,453	7,416,453
Total Nonspendable	2,058,984	-	-	-	-	-	7,416,453	9,475,437
Restricted								
General Government	-	-	-	-	2,753,415	-	20,801,987	23,555,402
Protection to Persons and Property	-	-	-	509,747	9,313,294	-	2,567,832	12,390,873
Human Services	-	-	-	-	39,697,745	89,482,303	2,442,689	131,622,737
Labor	-	-	-	-	7,007,183	-	-	7,007,183
Education	-	-	-	-	1,802,039	-	-	1,802,039
Natural Resources	-	-	-	4,247,917	290,962,278	-	7,824,331	303,034,526
Commerce and Community Development	-	-	-	-	313,031	-	2,709	315,740
Transportation	-	-	-	-	-	-	5,678	5,678
Debt Service	-	-	-	-	-	-	3,009,094	3,009,094
Total Restriced	-	-	-	4,757,664	351,848,985	89,482,303	36,654,320	482,743,272
Committed								
Protection to Persons and Property	-	-	-	57,466,482	-	-	-	57,466,482
Human Services	18,501,930	-	-	6,979,708	-	-	-	25,481,638
Labor	-	-	-	2,226,348	-	-	-	2,226,348
Education	-	-	65,804,316	1,048,495	-	-	23,549,137	90,401,948
Natural Resources	-	-	-	16,315,111	-	-	4,739,728	21,054,839
Commerce and Community Development	-	-	-	1,785,643	-	-	-	1,785,643
Transportation	-	18,388,394	-	-	-	-	-	18,388,394
Debt Service	-	-	-	1,126	-	-	2,321,567	2,322,693
Total Committed	18,501,930	18,388,394	65,804,316	85,822,913	-	-	30,610,432	219,127,985
Assigned								
General Government	840,076	-	-	-	-	-	-	840,076
Protection to Persons and Property	1,358,689	-	-	-	-	-	-	1,358,689
Human Services	974,082	-	-	-	-	-	-	974,082
Education	294,673	-	-	-	-	-	-	294,673
Natural Resources	1,386,128	-	-	-	-	-	-	1,386,128
Commerce and Community Development	1,980,204	-	-	-	-	-	-	1,980,204
Total Assigned	6,833,852	-	-	-	-	-	-	6,833,852
Unassigned	150,985,898	-	-	(1,769,243)	-	-	(296,282)	148,920,373
Total Fund Balance	$ 178,380,664	$ 18,388,394	$ 65,804,316	$ 88,811,334	$ 351,848,985	$ 89,482,303	$ 74,384,923	$ 867,100,919

COMPENSATED ABSENCES

Compensated absences' liabilities include amounts for accumulated unpaid vacation, compensatory time, and personal leave credits. Classified State employees accrue vacation leave based on the number of years employed up to a maximum rate of 24 days annually and may not accumulate more than a maximum of 45 days (360 hours) at any one time. This liability is expected to be liquidated in future periods as either salary payments or cash payments upon termination of employment. Compensatory time and personal leave time accumulates as earned by the employees but must be taken within the subsequent year or be forfeited.

Liabilities for compensated absences are recorded in the government-wide statement activity where the employees are assigned, and in the funds, where applicable. The amounts are calculated based on an employee's pay rate in effect as of year-end. Additional information including changes in balances may be found in Note 16 – Changes in Long-term Liabilities.

Employees earn sick leave credits based on the number of years employed with a maximum accrual rate of 21 days per fiscal year. Sick leave may only be liquidated if and when sickness or injury is incurred. Additionally, if employment is terminated, any sick leave that the individual may have accrued is forfeited without any payout; therefore, it is not an accruable liability to the State. There is no limit on the amount of sick leave an employee may accumulate.

BOND DISCOUNTS, PREMIUMS, AND ISSUANCE COSTS

In the government-wide financial statements, bond discounts/premiums and issuance costs are deferred and amortized over the term of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issued are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

INTERFUND TRANSACTIONS

Interfund Loans – Short-term loans between funds outstanding at year-end for such things as cash overdrafts are recorded as Interfund Receivables/Payables. Advances To/From Other Funds represent long-term interfund loans receivable and payable.

Reimbursements – Reimbursements result when one fund makes an expenditure for a second fund when that expenditure or expense is properly applicable to the second fund. Reimbursement transactions reduce expenditures in the reimbursed fund and increase expenditures/expenses in the reimbursing fund.

Quasi-External Transactions –These transactions occur between two government funds that would be accounted for as revenue and expenditures if they occurred between a government entity and a private sector entity.

Transfers – These transfers encompass all types of transfers, except for the residual equity transfers, and are primarily routine transfers of appropriation resources between funds. Transfers are not revenue, expenditures, or expenses, and are classified as "Other Financing Sources (Uses)" in the operating statements of the governmental funds and in a separate subsection before net income in the proprietary funds.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported

amounts of assets and liabilities that affect the disclosure of contingent assets and liabilities as of the date of the financial statements, and that affect the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates.

Note 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Primary Government – Excluding All Pension Trust Funds

Deposits and investments for the primary government are governed by State statutes. When depositing public monies, the State Treasurer must act in accordance with 32 V.S.A. 431. Although the statute provides requirements for the collateralization of deposits, it does not establish limits. These limits are set by published formal guidelines issued by the State Treasurer. The State has an investment policy with an overriding goal of minimizing exposure to risk and maintaining liquidity necessary for future cash needs while maximizing the return on investments. Two sections of State statute govern the investment of the State's operating and restricted cash (i.e., non-pension funds).

When investing public monies, the State Treasurer must act in accordance with 32 V.S.A. 433. Types of investments allowed include obligations of the United States, its agencies and instrumentalities, and any repurchase agreements whose underlying collateral consists of such obligations or other approved money market instruments; certificates of deposit issued by banks and savings and loan associations approved by the State Treasurer; prime bankers' acceptances; prime commercial paper; tax exempt securities; and domestic money market funds. Also, the State Treasurer's Office issues additional formal guidance that is reviewed periodically, to assure that the three investment objectives -- safety, liquidity, and yield -- are met.

The statutory guidelines for certain trust funds are contained in 32 V.S.A. 434, referred collectively as the Trust Investment Account. These include the Tobacco Trust Fund, the Higher Education Trust Fund, the ANR Stewardship Fund, two Veterans' Home trusts, the Fish and Wildlife Trust, Vermont State Retirement OPEB Fund, and various small trusts.

The State Treasurer may invest funds in accordance with the standard of care established by the prudent investor rule and apply the same investment objectives and policies adopted by the Vermont State Employees' Retirement System, where appropriate, to the investment of funds in the Trust Investment Account.

Deposits - Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of a depository financial institution failure, the government will not be able to recover funds deposited in the failed institution or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository (FDIC) insurance and are uncollateralized; or collateralized with securities held by the pledging financial institution's trust department or agent, that are not registered in the depositor – government's name. Although State statute does not require deposits to be collateralized, the Treasurer requires the State's cash deposits held in its primary bank to be collateralized with either United States Treasury securities or Vermont municipal securities or other approved money market instruments, or other collateral acceptable to the Treasurer. Certificates of deposit are collateralized, in whole or in part, on the basis of agreements with the bank, a protocol requiring periodic due diligence and review of bank capitalization and assets. Bank deposits in excess of the FDIC amounts and collateral agreements are uninsured and uncollateralized. Bank balances of deposits for the primary government, excluding pension trust funds, as of June 30, 2012, (including certificates of deposits) were $341,322,529. Of these, $2,068,034 was exposed to custodial credit risk as uninsured and uncollateralized.

Investments

Investments are stated at market value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at market value when published market prices and quotations are available, or at amortized cost, which approximates

fair value. Management at the State Treasurer's Office is responsible for the fair value measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the Office believes that reported fair values at the balance sheet date are reasonable.

(*a) Interest Rate Risk – Investments*
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The primary government's investments, other than pension and investment trust funds' investments, at June 30, 2012 are presented below.

Primary Government Investments - Excluding Pension and Investment Trust Funds
(Expressed in Thousands)

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 to <6**	**6 to 10**	**More Than 10**
Debt Investments					
US Agencies/Treasuries	$ 45,299	$ 208	$ 915	$ 470	$ 43,706
Money Market Mutual Fund	253,400	253,400	-	-	-
Other	264	31	114	69	50
Total Debt Investments	298,963	$ 253,639	$ 1,029	$ 539	$ 43,756
Other Investments					
Mutual Funds	370				
Equity Securities	19,844				
US Unemployment Trust Pool	75,114				
Total Investments	$ 394,291				

The above includes instruments that are classified as cash and short-term investments for balance sheet purposes. The following is a reconciliation of the investment types to the financial statement presentation (*in Thousands*).

Primary Government - Excluding Pension and Investment Trust Funds

Investments per maturity schedule	$ 394,291
Included in cash & cash equivalents:	
Money market mutual fund	(248,276)
Certificates of deposit	978
US Unemployment trust pool	(75,114)
Financial statement investments total	$ 71,879
Governmental activities total	$ 58,298
Business activities total	2,045
Fiduciary - OPEB trust	10,290
Fiduciary - private purpose trust fund	1,246
Total	$ 71,879

(b) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the monetary magnitude of the State's investment in a single issuer. While State statute does not establish ceilings, formal investment guidelines for operating funds limit the amount invested to 10% in any one issuer of commercial paper, corporate securities, or bankers' acceptances. There are no limitations for U.S. Government and Federal Agencies. Money market funds utilized by the State Treasurer's Office are highly rated and incorporate the requisite diversification. As of June 30, 2012, no single issuer exceeded 5% for the primary government portfolios.

(c) Custodial Credit Risk

For investments, custodial credit risk is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The State has no formal policy on custodial credit risk but maintains contractual relationships with custodian banks that provide coverage and define the procedures. As of June 30, 2012 all securities were registered in the name of the State at its custodian bank. Investments in open-end mutual funds are not exposed to custodial risk because their existence is not evidenced by specific securities.

(d) Credit Risk

Credit risk is the possibility that the issuer or other counterparty to an investment may default on their obligations. In non-pension funds this risk has been mitigated by implementing statutory guidelines on credit quality and further restricted by formal investment guidelines and the use of low-risk money market instruments. The credit risk associated with the State's debt securities, money market funds, bond mutual funds, and other pools of fixed income securities, exclusive of pension fund investments, as of June 30, 2012, is presented as follows using the Moody's rating scale.

Primary Government Rated Debt Instruments
Excluding Pension and Investment Trust Funds
(Expressed in Thousands)

		Quality Ratings	
Debt Investments	**Fair Value**	**Aaa**	**Unrated**
US Agencies/Treasuries	$ 45,299	$ 45,299	$ -
Money Market Mutual Fund	253,400	253,400	-
Other	264	-	264
Totals	$ 298,963	$ 298,699	$ 264

(e) Foreign Currency Risk

Foreign currency risk is the extent to which changes in exchange rates affect the value of an investment. Vermont's operating funds are restricted, through statute and formal guidelines, to specific money market instruments and money market funds who only invest in domestic instruments. In the Trust Investment Account portfolio, total exposure to foreign currency risk as of June 30, 2012, valued in US dollars, is $99,125, consisting of Canadian Dollar investments.

B. Primary Government – Pension Trust Funds and the Vermont Municipal Employees Health Benefit Fund

The State has three defined benefit plans (Vermont State Retirement System (VSRS), State Teachers Retirement System (STRS), and Vermont Municipal Employees' Retirement System (MERS)); three defined contribution plans (VSRS, MERS, and Single Deposit Investment Account); and two other post employment benefit funds.

By statute, the assets of the three defined benefit plans are invested on behalf of each plan's Trustees through the Vermont Pension Investment Committee (VPIC), which was established by the Vermont Legislature (Title 3 V.S.A. Chapter 17), effective July 1, 2005, to combine the assets of the VSRS, STRS and MERS defined benefit plans for the purpose of (i) investment in a manner that is more cost- and resource-efficient; (ii) improving the effectiveness of the oversight and management of the assets of the Retirement Systems; and (iii) maintaining the actuarial, accounting, and asset allocation integrity of the Retirement Systems. The majority of these assets have been pooled for investment purposes. Effective May 31, 2006, legislation amended VPIC's authority allowing VPIC to enter into agreements with municipalities administering their own retirement systems to invest retirement funds for those municipal plans.

On November 1, 2007, the City of Burlington, Vermont pooled its investments with the majority of the assets of the State, Teachers and Municipal defined benefit plans pursuant to a change in State statute permitting Vermont municipalities to pool their funds with the VPIC thereby creating an "external investment pool." An "external investment pool" is defined by GASB 31 as the commingling and investing of the monies of more than one legally separate entity, on the participants' behalf, in an investment portfolio. In this case, one of the participants, the City of Burlington, is not part of the State's reporting entity. Each of the participating funds has an equity position in the external pool and individual investment securities are not specifically identified to any of the participating funds. As a result, the "pooled investment" is a net equity position, incorporating the results of the underlying securities, receivables and liabilities. Earnings in each pooled investment are allocated based on the month-end balances of each of the respective systems.

The three defined benefit plans and the City of Burlington's assets managed by VPIC are externally managed in the pool established July 1, 2005 with a startup share price of $1,000. Ownership in the pool is based on the number of shares held by each member. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction.

The pool's net assets and statement of changes in net assets are as follows.

VERMONT PENSION INVESTMENT COMMITTEE
INVESTMENT POOL
STATEMENTS OF NET ASSETS
June 30, 2012
(Expressed in Thousands)

Assets	
Cash and short term investments	$ 51,975
Receivables	
Interest and dividends	7,732
Investments sold	94,427
Total receivables	102,159
Investments at Fair Value	
Fixed income	742,883
Equities	727,770
Mutual funds	1,511,090
Real estate and venture capital	395,486
Total investments	3,377,229
Total assets	3,531,363
Liabilities	
Accounts payable	113
Other liabilities	132
Payable for investments purchased	142,119
Total liabilities	142,364
Net assets held in trust for investment pool participants	$ 3,388,999

VERMONT PENSION INVESTMENT COMMITTEE
INVESTMENT POOL
STATEMENTS OF CHANGES IN NET ASSETS
June 30, 2012
(Expressed in Thousands)

Additions	
Investment income	
Net appreciation (depreciation) in fair value of investments	$ (7,621)
Dividends	44,845
Interest income	35,370
Securities lending income	58
Other income	872
Total investment gain	73,524
Total additions	73,524
Deductions	
Net pool participant withdrawals	85,462
Operating expenses	1,383
Total deductions	86,845
Change in net assets	(13,321)
Net assets held in trust for pool participants	
July 1, 2011	3,402,320
June 30, 2012	$ 3,388,999
Pool participants	
Vermont State Retirement System	$ 1,370,105
State Teacher's Retirement System	1,483,892
Vermont Municipal Employees' Retirement System	410,259
City of Burlington	124,743
Totals - June 30, 2012	$ 3,388,999

All three defined benefit plans managed by the State have adopted a common asset allocation as determined by the Vermont Pension Investment Committee. As of October 29, 2009, the VPIC adopted a set of investment policies and guidelines common to all three defined benefit plans. These are used by VPIC with the objective of maximizing returns within acceptable risk parameters.

The State's Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan, is invested in a commingled stable bond fund. The investment policy governing the SDIA portfolios includes a minimum average credit quality of double-A, no bonds rated below investment grade, and limitations on asset-

backed, mortgage-backed, collateralized Mortgage Obligations, corporate bonds, and single issuers of non-treasury/government agency backed bonds.

The Vermont State Retirement's defined contribution plan's trustee is the State Treasurer. The Vermont Municipal Employees' Retirement System Board of Trustees is the trustee for the Vermont Municipal Employees' defined contribution plan. Both plans are administered by Fidelity Investments Institutional Operations Company. Investment choices are made by participants from a range of funds approved by the trustees' for the plans. Investment options are Fidelity and non-Fidelity mutual funds including large and small market capitalization equities (actively managed and indexed), international equities, fixed income securities, balanced funds, target retirement date age based funds, and a stable value fund. Funds included in the plans were selected based on consideration of fund performance for one and multi-year periods, performance ranked against peer group funds in asset class, management fee expense ratios, fund asset class and investment objectives, historical annual returns, Morningstar ratings, performance in various stages of the capital market cycle, and consultant recommendations as to the optimal number of funds and appropriate asset classes. Fidelity provides quarterly investment reports and analysis that are reviewed by Treasury staff, the State Treasurer and Vermont Municipal Employees' Retirement's Board.

The State has two other post employment benefit funds, the Vermont State Post Employment Benefits Trust Fund (State OPEB) and the Vermont Municipal Employees health benefit Fund (Muni OPEB). These are described in Note 5. The "State OPEB" is invested in the Trust Investment Account utilized as an investment vehicle by many of the State's primary funds, exclusive of pension funds, and is included in the cash and investment disclosures for the primary government as is its cash deposits. The "Muni OPEB" in invested under the authority of the Municipal Retirement Board of Trustees and utilizes an outside administrator, ICMA-RC employing mutual funds. Disclosures related to its cash and investments are included below.

Deposits - Custodial Credit Risk
The pension trust funds' cash deposits, outside of the pension trust funds' custodian bank, totaled $8,882,267, none of which was exposed to custodial credit risk.

Investments
Investments are stated at market value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at market value when published market prices and quotations are available, or at amortized cost, which approximates fair value. Real estate is carried at the net asset value of each retirement system's real estate fund investments, which net asset value is further based on the fair market value of the real properties. Properties' fair market values in each of the retirement systems' fund investments are established quarterly by real estate fund manager appraisals and are validated at least yearly by third-party property appraisals. Nonmarketable securities include alternative investments such as private equity and venture capital, which are valued using current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. Such valuations generally consider variables such as the high, medium, and low values for portfolio investments; the investments' exit timetables, and the status of any proceedings leading to a liquidity event; the financial performance of investments, including comparison of comparable companies' earning multiples; cash flow analysis; and recent sales prices of investments. Management at the State Treasurer's Office is responsible for the fair value measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the Office believes that reported fair values at the balance sheet date are reasonable.

a) Interest Rate Risk – Investments
As pension trust funds have a different investment term horizon based on a long average liability term, the VPIC manages exposure to fair value loss arising from movements in interest rates by establishing duration guidelines with its debt securities with Core, Core Plus and Global Fixed Income investment managers, requiring that the duration be within a specified percentage of the duration band of the appropriate benchmark index. In the case of domestic Core Fixed Income managers the average duration (interest rate sensitivity) of an actively managed portfolio shall not differ from the appropriate passive benchmark's duration by more than

+/- 25 percent. The Core Plus portfolio restriction is +/- two years around the passive benchmark duration. With respect to Global Fixed Income portfolios, current portfolio durations are restricted to a range of one to ten years. High yield fixed income portfolios prices and yields are not as directly correlated with the general level of interest rates and are duration monitored but not duration restricted. The calculation of the duration of mortgage backed securities involves assumptions as to the expected future prepayment rate for the security. The Managers are required to calculate duration at the time of initial purchase and on a routine basis to maintain compliance with these guidelines. Fixed income managers are required to report portfolio characteristics quarterly inclusive of portfolio duration as a measure of portfolio interest rate sensitivity. Pension, Vermont Municipal Employees Health Benefit and Investment Trust Funds investments are as follows:

Pension, Vermont Municipal Employees Health Benefit and Investment Trust Funds Investments

(Expressed in Thousands)

Investment Type	Fair Value	Less Than 1	1 to <6	6 to 10	More Than 10
Debt Investments					
US Agencies/Treasuries	$ 298,175	$ 50,296	$ 15,825	$ 123,332	$ 108,722
Corporate Debt	240,029	11,419	123,144	94,043	11,423
Money Market Mutual Fund	46,640	46,640	-	-	-
Municipals	23,760	-	1,446	213	22,101
Asset Backed Securities	5,348	-	1,187	-	4,161
Mortgage Backed Securities	63,693	-	-	1,994	61,699
Sovereign Debt	88,882	8,824	29,647	35,500	14,911
Bank Loans	24,284	-	15,574	8,710	-
Total Debt Investments	790,811	$ 117,179	$ 186,823	$ 263,792	$ 223,017
Other Investments					
Mutual Funds	1,665,025				
Equity Securities	727,770				
Real Estate - Venture Capital	395,486				
Fixed Income - Derivatives	(1,288)				
Total	$ 3,577,804				

(b) Concentration of Credit Risk

Formal guidelines for pension funds state that no more than 5% of the market value of a portfolio's domestic fixed income assets may be invested in the debt securities of any one issuer. No limitations on issues and issuers shall apply to obligations of U.S. Government and Federal Agencies. As of June 30, 2012, no issuer exceeded 5%.

(c) Custodial Credit Risk

Custodial credit risk for investments is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The VPIC manages exposure to custodial credit risk by requiring all relevant investment managers to hold investments in separate accounts with VPIC's custodian. VPIC guidelines specify the custodial requirements for these accounts and the duties of the Managers and the custodian. As of June 30, 2012, all securities were registered in the name of the State at its custodian bank. Investments in pools, open-end mutual funds, and other investments not evidenced by specific securities are not categorized.

(d) Credit Risk of Debt Investment

Detailed pension guidelines by asset class and supplemental requirements by investment manager are used to set risk parameters and are stated in written contracts. These guidelines are reviewed and adopted by

VPIC. Treasury staff and independent investment consultants are utilized to assure compliance. The credit risks associated with the Pension Trust securities are as follows:

Pension, Vermont Municipal Employees Health Benefit and Investment Trust Funds Investments

(Expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings Aaa	Aa	A
US Agencies/Treasuries	$ 298,175	$ 298,175	$ -	$ -
Corporate Debt	240,029	5,792	4,250	12,187
Money Market Mutual Fund	46,640	-	-	-
Municipals	23,760	846	11,412	10,020
Asset Backed Securities	5,348	894	360	1,699
Mortgage Backed Securities	63,693	25,953	1,381	428
Sovereign Debt	88,882	20,873	48,259	8,714
Bank Loans	24,284	-	-	-

continued below

Debt Investments	Quality Ratings Baa	Ba	B and below	Unrated
US Agencies/Treasuries	$ -	$ -	$ -	$ -
Corporate Debt	36,977	62,399	110,523	7,901
Money Market Mutual Fund	-	-	-	46,640
Municipals	-	-	-	1,482
Asset Backed Securities	1,008	-	36	1,351
Mortgage Backed Securities	2,805	2,066	9,792	21,268
Sovereign Debt	11,036	-	-	-
Bank Loans	-	-	-	24,284

d) Foreign Currency Risk

Unless VPIC stipulates specific exceptions to the guidelines, the global bond portfolio may hold no more than 30% of its assets, at market value, or 120% of each country's benchmark weight (whichever is greater) in the debt securities of any single foreign government or non-U.S. government entity. For the purposes of this calculation, all countries within the European Single Currency shall count as one country. Single non-government debt security limitations are also set for the global bond portfolio. In the case of equities, the investment manager is afforded flexibility in the number of issues held and their geographic or industry distribution, provided that equity holdings are within the lesser of established percentage ranges in relative to single holding limitations and a stock's weighting in the style benchmark against which the manager is measured. Most foreign currency exposure is in the pension and investment trust funds' portfolios. The value in US dollars by foreign currency denomination and type of investment is as follows:

Pension, Vermont Municipal Employees Health Benefit and Investment Trust Funds Investments
Foreign Currency Risk - International Securities at Fair Value
(Expressed in Thousands)

Currency	Total	Short Term	Debt	Equity
Australian Dollar	$ 13,123	$ 93	$ -	$ 13,030
Brazilian Real	737	-	737	-
Canadian Dollar	5,121	(48)	1,567	3,602
Danish Krone	2,043	51	-	1,992
Euro Currency	113,248	479	29,676	83,093
Hong Kong Dollar	2,438	40	-	2,398
Israeli Shekel	65	-	-	65
Japanese Yen	106,510	792	43,833	61,885
Malaysian Ringgit	120	4	-	116
Mexican Peso	11,024	433	10,542	49
New Zealand Dollar	203	6	-	197
Norwegian Krone	2,193	40	-	2,153
Philippine Peso	1	1	-	-
Polish Zloty	9,106	17	8,606	483
Pound Sterling	42,083	91	-	41,992
Singapore Dollar	10,784	142	-	10,642
South African Rand	9	9	-	-
South Korean Won	5,247	10	-	5,237
Swedish Krona	2,273	-	-	2,273
Swiss Franc	14,025	205	-	13,820
Thailand Baht	890	3	-	887
Total	$ 341,243	$ 2,368	$ 94,961	$ 243,914

Formal investment policy guidelines adopted by the VPIC state that international equity managers may enter into forward exchange contracts on currency provided that use of such contracts is designed to dampen portfolio volatility and facilitate securities transaction settlements rather than leverage portfolio risk exposure. In global fixed income accounts, opportunistic currency positioning may be utilized to hedge and cross-hedge the portfolio's currency risk exposure or in the settlement of securities transactions. The managers may vary the total portfolio exposure to currency from fully unhedged to fully hedged. The global fixed income managers are permitted to hedge all, some, or none of the portfolio's currency exposure. They are permitted to cross-hedge currency positions, but may not net short any currency, or net long more than 100% of the portfolio. VPIC has funds allocated to a global allocation asset manager in the form of shares of a commingled trust. The manager for this trust may enter into long and/or short positions in currencies of the countries represented in established indices. The strategy is permitted to cross-hedge currency exposure and will actively manage its currency exposure. This active management may go beyond fully-hedged or unhedged currency exposure, and is provided for by a specific exemption to the VPIC general guidelines.

Securities Lending Transactions
State statutes and boards of trustees' policies permit the Office of the Vermont State Treasurer to use investments of the three defined benefit pension plans to enter into securities lending transactions/loans of securities to broker dealers and other entities for collateral, with a simultaneous agreement to return the collateral for the same securities in the future. Pursuant to a Securities Lending Authorization Agreement, State Street Bank and Trust Company (State Street) was authorized to act as agent in lending securities to broker-dealers and banks.

During the fiscal year, State Street loaned, on behalf of the State, certain securities held by State Street as custodian, and received United States and foreign currency cash, or securities issued or guaranteed by the United States government as collateral. Borrowers were required to deliver collateral for each loan equal to not less than one hundred percent (100%) of the market value of the loaned security.

The State did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf. Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to provide a form of indemnification to the State in the event of default by a borrower. On June 30, 2012 Vermont had no credit risk exposure to borrowers.

During the fiscal year, VPIC exercised its rights to terminate the securities lending program on February 28, 2012. No securities were on loan as of June 30, 2012.

Authority to enter into securities lending transactions for the 3 retirement plans is as follows:
3 V.S.A. 471(m) Vermont State Employees' Retirement Fund
16 V.S.A. 1942(q) Vermont Teachers' Retirement Fund
24 V.S.A. 5062(o) Vermont Municipal Employees' Retirement Fund

Derivative Financial Instruments

The State does not have any derivatives associated with issuance of debt. Certain investment managers (Managers) for the Vermont Pension Investment Committee (VPIC) invest in derivative financial investments as authorized by the VPIC policy. Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed upon benchmark. Disclosures related to derivatives positions required under Governmental Accounting Standards Board Statement No. 53 – "Accounting and Financial Reporting for Derivative Instruments" (GASB No. 53) apply only to those derivative instruments held directly by the VPIC on behalf of the defined benefit plans and the external investment trust and not those held within commingled fund investment vehicles. The Pension Trust Funds do not have hedgeable assets or liabilities, and all derivative instruments are considered investment derivatives, with corresponding changes in fair value reported in investment income. The fair value of all derivative financial instruments are reported in the Statement of Fiduciary Net Assets. All of the derivatives reported at June 30, 2012, are at fair market value.

Derivative instruments may be used for any of the following purposes;

- To gain market exposure.
- To convert financial exposure in a given currency to that of another currency (e.g., to hedge Japanese Yen exposure back to the U.S. dollar). Any and all international Managers may enter into foreign exchange contracts on currency provided that: a) such contracts are one year or less, and b) use of such contracts is limited solely and exclusively to hedging currency exposure existing within the Manager's portfolio. There shall be no foreign currency speculation or any related investment activity, with the exception of currency hedging Managers who enter into currency hedging will be guided by specific risk parameters in their contracts.
- To adjust the duration of a bond portfolio in a manner that is consistent with the accepted approach of the Manager and other contract terms applicable to the Manager.
- To make portfolio adjustments that are consistent with other elements of the VPIC's investment policies and that do not systematically increase risk or expected volatility of the rate-of-return of the total portfolio.
- For trading purposes which are intended to enhance investment returns. This purpose is subject to the requirement that it be consistent with other elements of the VPIC's investment policies and that it does not systematically increase the risk or expected volatility of the rate of return of the total portfolio.

All other uses of derivatives are prohibited unless specifically approved by the VPIC. Managers are expected to have internal risk management programs in place to ensure that derivatives-based strategies do not result

in inappropriate risks to the VPIC Portfolio. Separately managed funds include the following reporting requirements: a list of all derivative positions as of quarter-end; an assessment of how the derivative positions affect the risk exposures of the total portfolio; an explanation of any significant pricing discrepancies between the Manager and custodian bank; an explanation of any non-compliance. Commingled funds provide the VPIC with a quarterly list of derivative positions and assessment of the effect on the risk exposure of the portfolio.

For derivative securities, the Custodian Bank is required to obtain two independent prices, or to notify the VPIC that two independent prices are not available. Managers are required to reconcile the valuations of all derivatives positions on a monthly basis with the Custodian Bank. Derivatives, which are futures contracts, are CFTC approved and exchange-traded. Options may either be exchange-traded or traded over-the-counter (OTC).

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specified price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the VPIC's credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included with trading account securities gains (losses) in the Statement of Changes in Fiduciary Net Assets. The net gain for the year was $1,864,972. At June 30, 2012 and 2011, the VPIC's investments had the following values:

	June 30, 2012		June 30, 2011	
Investment Derivatives	**Fair value**	**Notional**	**Fair value**	**Notional**
Fixed Income Futures:				
Long.....	$ -	$ -	$ -	$ 207,150,000

Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency exchange rate on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net realized gains or losses on foreign currency related transactions in the Statement of Changes in Fiduciary Net Assets. The net gain for the year was $3,510,999. At June 30, 2012 and 2011, the VPIC's investments included the following currency forwards balances:

	June 30, 2012		June 30, 2011	
Investment Derivatives	**Fair value**	**Notional**	**Fair value**	**Notional**
FX Forwards.....	$ 451,237	$ 72,202,058	$ (1,168,389)	$ 112,059,204

Only forward currency contracts are defined as derivatives per GASB No. 53 are reported above; currency spot contracts are not included.

Risk of loss arises from changes in currency exchange rates. Below is a listing of currency forward positions as of June 30, 2012, and the associated currencies.

Transaction Type	Base Current Value	Open Buy Equivalent Value	Open Sell Equivalent Value	Currency	Unrealized Gain/Loss
Cross deals between two foreign currencies					
	$ 6,297,269	$ 6,203,833	$ 6,203,833	SOLD EUR/BOUGHT GBP	$ 93,436
			Sub-Total		**$ 93,436**
Pending foreign exchange purchases					
	8,809,315	8,870,000	8,870,000	BOUGHT CNY/SOLD USD	(60,685)
	8,621,969	8,732,308	8,732,308	BOUGHT CNY/SOLD USD	(110,339)
	1,218,288	1,224,168	1,224,168	BOUGHT EUR/SOLD USD	(5,880)
	1,218,289	1,222,908	1,222,908	BOUGHT EUR/SOLD USD	(4,619)
	125,481	125,589	125,589	BOUGHT CNY/SOLD USD	(108)
	187,259	186,252	186,252	BOUGHT BRL/SOLD USD	1,007
	201,131	200,049	200,049	BOUGHT BRL/SOLD USD	1,082
	250,552	250,000	250,000	BOUGHT BRL/SOLD USD	552
	208,492	207,829	207,829	BOUGHT BRL/SOLD USD	663
	5,260,403	5,100,786	5,100,786	BOUGHT AUD/SOLD USD	159,617
	77,420	80,778	80,778	BOUGHT EUR/SOLD USD	(3,358)
	507,672	501,430	501,430	BOUGHT EUR/SOLD USD	6,242
	2,437,152	2,396,794	2,396,794	BOUGHT EUR/SOLD USD	40,358
	1,259,273	1,251,082	1,251,082	BOUGHT CAD/SOLD USD	8,191
	5,894,758	5,894,812	5,894,812	BOUGHT AUD/SOLD USD	(54)
			Sub-Total		**32,669**
Pending foreign exchange sales					
	5,904,783	5,899,771	5,899,771	SOLD AUD/BOUGHT USD	5,012
	5,030,740	5,026,470	5,026,470	SOLD AUD/BOUGHT USD	4,270
	684,799	660,035	660,035	SOLD BRL/BOUGHT USD	24,764
	578,144	557,237	557,237	SOLD BRL/BOUGHT USD	20,907
	117,388	119,267	119,267	SOLD AUD/BOUGHT USD	(1,879)
	1,739,169	1,726,974	1,726,974	SOLD EUR/BOUGHT USD	12,195
	104,823	110,940	110,940	SOLD AUD/BOUGHT USD	(6,117)
	2,355,744	2,396,160	2,396,160	SOLD EUR/BOUGHT USD	(40,416)
	1,293,496	1,240,090	1,240,090	SOLD EUR/BOUGHT USD	53,406
	937,793	911,206	911,206	SOLD EUR/BOUGHT USD	26,587
	4,323,333	4,206,950	4,206,950	SOLD EUR/BOUGHT USD	116,383
	81,138	82,452	82,452	SOLD EUR/BOUGHT USD	(1,314)
	48,684	49,091	49,091	SOLD EUR/BOUGHT USD	(407)
	218,862	211,600	211,600	SOLD EUR/BOUGHT USD	7,262
	336,618	341,552	341,552	SOLD EUR/BOUGHT USD	(4,934)
	2,555,725	2,487,519	2,487,519	SOLD MXN/BOUGHT USD	68,206
	2,423,235	2,351,816	2,351,816	SOLD MXN/BOUGHT USD	71,419
	1,344,101	1,374,313	1,374,313	SOLD AUD/BOUGHT USD	(30,212)
			Sub-Total		**325,132**
				Total	**$ 451,237**

Options represent or give buyers the right, but not the obligation, to buy or sell an asset at a preset price over a specified period. The option's price is usually a small percentage of the underlying asset's value. As a writer of financial options, the VPIC receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a purchaser of financial options, the VPIC pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. The net gain for the year was $1,207,571. At June 30, 2012 and 2011, the VPIC's investments had the following option balances:

	June 30, 2012		June 30, 2011	
Investment Derivatives	**Fair value**	**Notional**	**Fair value**	**Notional**
Fixed Income Options:				
Bought	$ 270,316	$ 11,100,000	$ -	$ -
Written	(1,166,102)	(159,900,000)	(1,258,241)	(170,100,000)
Foreign Currency Options				
Bought	172,722	13,959,550	-	-

Swaps represent an agreement between two or more parties to exchange sequences of cash flows over a period in the future. At June 30, 2012, the VPIC had two different types of swap arrangements; interest rate swaps and credit default swaps. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty who, in turn, agrees to make return interest payments that float with some reference rate. The interest rate swaps allowed the VPIC to effectively convert long term variable interest investments into fixed interest rate investments. Credit default swaps are used to manage credit exposure without buying securities outright. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Fiduciary Net Assets. The net loss for the year was $7,072,275. At June 30, 2012 and 2011, the VPIC's investments had the following swap market value balances:

Investment Derivatives	June 30, 2012		June 30, 2011	
	Fair value	Notional	Fair value	Notional
Credit default swaps bought	$ 1,856,164	$ 31,241,068	$ -	$ -
Credit default swaps written	32,895	2,550,000	-	-
Pay fixed interest rate swaps	(2,999,294)	81,200,000	(180,126)	6,000,000
Receive fixed interest rate swaps	545,717	28,277,657	107,023	18,600,000

The following swaps are in place as of June 30, 2012.

Asset ID	Asset Description	Fair Value at June 30, 2012	Notional
Pay Fixed Interest Rate Swaps:			
99S0BNJ83/ 99S0BNJ91	BWU0830U7 IRS USD R V 03MLIBOR / BWU0830U7 IRS USD P F 2.75000	$ (253,891)	$ 4,800,000
99S0BXJZ1/ 99S0BXK06	BWU0640U7 IRS USD R V 03MLIBOR / BWU0640U7 IRS USD P F 2.25000	(1,786,005)	40,000,000
99S0BYB87/ 99S0BYB95	BWU0695U1 IRS USD R V 03MLIBOR / BWU0695U1 IRS USD P F 1.50000	(959,398)	36,400,000
Receive Fixed Interest Rate Swaps:			
99S0AQB51/ 99S0AQB69	SWU002W08 IRS BRL R F 10.58000 / SWU002W08 IRS BRL P V 12MBRDCI	83,523	2,378,062
99S0AQS53/ 99S0AQS61	SWU026R29 IRS BRL R F 10.53000 / SWU026R29 IRS BRL P V 00MBZDIO	345,054	10,106,765
99S0CHEZ0/ 99S0CHF06	SWU0083W7 IRS CAD R F 2.00000 / SWU0083W7 IRS CAD P V 03MCDOR	100,025	14,027,172
99S0CKO58/ 99S0CKO66	SWU0006O9 IRS CAD R F 2.25000 / SWU0006O9 IRS CAD P V 03MCDOR	17,115	1,765,658

Asset ID	Asset Description	Fair Value at June 30, 2012	Notional
Credit Default Swaps Bought:			
99S0BENH8/ 99S0BENI6	BWPC274Q9 CDS USD R V 00MEVENT / BWPC274Q9 CDS USD P F 5.00000	138,600	5,760,000
99S0BYUN3/ 99S0BYUO1	SWPC979K0 CDS USD R V 01MEVENT / SWPC979K0 CDS USD P F .09000	666,676	1,111,888
99S0BZNZ1/ 99S0BZO07	SWPC616R4 CDS EUR R V 03MEVENT / SWPC616R4 CDS EUR P F 1.00000	301,899	10,786,925
99S0C9A25/ 99S0C9A33	BWPC1CME6 CDS USD R V 03MEVENT BWPC1CME6 CDS USD P F 1.00000	10,586	1,800,000
99S0CBDT8/ 99S0CBDU5	SWPC059S6 CDS EUR R V 03MEVENT / SWPC059S6 CDS EUR P F 1.00000	89,970	1,269,050
99S0CCLW0/ 99S0CCLX8	SWPC075S6 CDS EUR R V 00MEVENT / SWPC075S6 CDS EUR P F 1.00000	548,814	7,741,205
99S0CCRT1/ 99S0CCRU8	BWPC133S6 CDS USD R V 00MEVENT / BWPC133S6 CDS USD P F 5.00000	99,619	2,772,000
Credit Default Swaps Written:			
99S0AGYK5/ 99S0AGYL3	SWPC627N0 CDS USD R F 1.00000 / SWPC627N0 CDS USD P V 03MEVENT	16,173	800,000
99S0ALDH4/ 99S0ALDI2	SWPC861N5 CDS USD R F 1.00000 / SWPC861N5 CDS USD P V 03MEVENT	22,238	1,100,000
99S0AW589/ 99S0AW597	SWPC635P5 CDS USD R F 1.00000 / SWPC635P5 CDS USD P V 03MEVENT	951	400,000
99S0B6PT7/ 99S0B6PU4	SWPC995P9 CDS USD R F 1.00000 / SWPC995P9 CDS USD P V 00MEVENT	(6,467)	250,000

Counter-party creditworthiness, for non-exchange traded derivatives, shall be at a minimum of “A3” as defined by Moody’s Investor Service, “A-” by Standard & Poor’s, and “A-” by Fitch. The use of counter-parties holding a split rating with one of the ratings below A3/A– is prohibited. The use of unrated counter-parties is prohibited. Individual counter-party exposure, for non-exchange traded commodity derivatives, is limited to 50% of the notional amount of the VPIC Portfolio commodity derived exposure. An exception is allowed if the total commodity derivative exposure is less than $3 million. Any entity acting as counter-party must be regulated in either the United States or the United Kingdom. All other uses of derivatives are prohibited unless specifically approved by the VPIC. Managers are expected to have internal risk management programs in place to ensure that derivatives-based strategies do not result in inappropriate risks to the VPIC portfolio. For fiscal year 2012 all counterparties for derivatives met the VPIC counterparty risk rating requirements.

The following shows the market value of credit exposure per Moody’s ratings at June 30, 2012.

Moody's Rating	Market Value
Aa2	$ 12,195
Aa3	373,982
A1	945,634
A2	808,850
A3	928,034
Baa1	83,523
Baa2	10,586
Total	$ 3,162,804

In addition, Manager credit research teams are tasked with evaluating potential counterparties for their creditworthiness as counterparties, not relying on ratings agencies alone. Managers evaluate individual counterparties using various methods of credit analysis: company visits, reports, earnings updates and take into account other factors, including the broker's/dealer's reputation for sound management, the past experience of the manager with the broker/dealer, market levels for its debt and equity, its quality of liquidity provided and its share of market participation. At June 30, 2012, risk concentrations are as follows.

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
CITIBANK N.A.	28%	A	A	A3
BARCLAYS BANK PLC	17%	A+	A	A2
JPMORGAN CHASE BANK	12%	A+	AA-	Aa3
HSBC BANKUSA	11%	AA-	AA-	A1
CREDIT SUISSE FOB CME	11%	A+	A	A1
STATE STREET BANK LONDON	8%	A+	A+	A1
UBS AG	4%	A	A	A2
MORGAN STANLEY CO INC	3%	A-	A	Baa1
BARCLAYS CAPITAL	2%	A+	A	A2
BNP PARIBAS SA	1%	AA-	A+	A2
BANK OF AMERICA N.A.	1%	A	A	A3
ROYAL BANK OF SCOTLAND PLC	1%	A	A	A3
BARCLAYS BANK CME	1%	A+	A	A2
UBS AG STAMFORD	1%	A	A	A2
STATE STREET BANK AND TRUST CO	0%	AA-	A+	Aa2
CITIGROUP GLOBAL MARKETS CME	0%	A-	A	Baa2

VPIC's Managers use master agreements and may receive additional protection through the collateralization requirements, which helps to mitigate a party's exposure to another party in the event of a default or termination event by requiring the pledging/posting of assets to the other party to secure any outstanding obligations under certain transactions. By regular, generally daily, movement of collateral on forward settling trades, VPIC's exposure to any particular counterparty can be reduced. Collateral movement threshold for securities under the master forward agreements typically ranges from $0 to $250 thousand per account, depending on the particular counterparty. Managers require daily posting of collateral with many of our counterparties.

VPIC does not have a formal policy regarding master netting arrangements. As a general practice, Managers use industry standardized contracts, generally known as "master agreements" or "netting agreements," counterparty risk is reduced by providing parties to a transaction the ability to close out and net its total exposure to a counterparty in event of a default with respect to all transactions governed under that particular agreement. These agreements (ISDA Master Agreement and Credit Support Annex, Master OTC Options Agreement, Master Securities Forward Transaction Agreement, Global/Master Repurchase Agreement) allow parties to a transaction to know their legal rights and obligations, in addition to an ability to net. Managers generally put master agreements in place on behalf of each account it manages and each separate counterparty legal entity with which it transacts.

Maximum Loss Before and After Netting and Collateral	
Maximum amount of loss VPIC would face in case of default of all counterparties	
i.e. aggregated (positive) fair value of OTC positions as of June 30, 2012	$ 3,162,804
Resulting net exposure	**$ 3,162,804**

Derivative instruments often contain credit-risk-related contingent features that could result in an immediate payment to the counterparty. For example, a material adverse change clause could provide the counterparty with the right to early terminate the derivative agreement. Alternatively, it could provide a basis for renegotiating the agreement if specific events occur, such as a downgrade of the entity's credit rating below investment grade. These provisions may include an obligation to post additional collateral in instances where the credit-risk contingent feature is triggered or the counterparty is provided the right to terminate the agreement early.

The VPIC funds hold mortgage-backed securities including collateralized mortgage obligations (CMOs) at fair value. Mortgage-backed securities represent a direct interest in a pool of mortgage loans. CMOs are bonds that are collateralized by whole loan mortgages, mortgages pass-through securities, or stripped mortgage-backed securities. Income is derived from payments and pre-payments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment tranches in accordance with the payment order established for the CMO instrument. Cash flows associated with these tranches may demonstrate varying degrees of sensitivity to interest rate fluctuations. A reduction in interest rates may cause some of the tranches to experience a reduction in fair value as prepayments reduce the interest payments, causing a decline in total cash flows. In a rising interest rate environment, an increase in interest payment and cash flows may cause an increase in fair value.

Risk is minimized through the purchase of high quality instruments with limited default or prepayment risk. Agency fixed and floating rate pass-through, U.S. Treasury securities and cash equivalents can be held without limitation. Securities designed to provide more precisely targeted maturities (Sequential Collateralized Mortgage Obligations) and those that create tranches, or Planned Amortization Classes (PAC I and PAC II), with cash flows that are protected from prepayment changes within certain limits, may also be purchased without limitation. Policy restrictions and portfolio percentage limitations are established for the purchase of more interest rate sensitive instruments and certain interest rate and price stress tests are required.

Asset-backed securities are collateralized by a loan, lease, or receivable other than real estate. Payments are collected by a servicer though a “pass-through” arrangement. As monthly payments of principal and interest are made, the pass-through security holder is entitled to a pro rata portion of the payments received. Risk of pre-payment varies with the underlying assets. Risk is minimized through the purchase of high quality instruments with limited default or prepayment risk.

Note 3: INTERFUND BALANCES

A. Due From/To Other Funds

Due from/to other funds represents amounts owed to one State fund by another, for goods sold, services received or reimbursement of costs. The balances of due from/to other funds at June 30, 2012, are as follows.

	Due to Other Funds			
	Governmental Funds			
Due From Other Funds	General Fund	Transportation Fund	Education Fund	Special Fund
General Fund	$ -	$ 11,627	$ 85	$ 40,196
Transportation Fund	41,953	-	-	13,501
Special Fund	699,015	1,137,676	10,891	-
Federal Revenue Fund	69,376	-	-	181,765
Global Commitment Fund	14,122,471	-	-	23,195,407
Non-major Governmental Funds	2,345	-	-	3,945
Liquor Control Fund	-	-	-	-
Non-major Enterprise Funds	-	-	-	-
Internal Service Funds	38,646	1,767	-	31,937,825
Fiduciary Funds	376,775	-	-	-
Total	$ 15,350,581	$ 1,151,070	$ 10,976	$ 55,372,639

continued below

	Due to Other Funds			
	Governmental Funds			
Due From Other Funds	Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Internal Service Funds
General Fund	$ 29,459	$ 3,592,742	$ 211	$ 155
Transportation Fund	400,965	-	100	90
Special Fund	831,514	-	135,388	213,631
Federal Revenue Fund	-	3,009,985	-	14,428
Global Commitment Fund	24,001	-	-	-
Non-major Governmental Funds	379	-	-	-
Liquor Control Fund	-	-	-	161
Non-major Enterprise Funds	-	-	-	-
Internal Service Funds	-	-	-	-
Fiduciary Funds	-	-	-	-
Total	$ 1,286,318	$ 6,602,727	$ 135,699	$ 228,465

continued below

	Due to Other Funds			
	Enterprise Funds			
Due From Other Funds	Unemployment Compensation Trust Fund	Liquor Control Fund	Non-major Enterprise Funds	Total
General Fund	$ -	$ 406,476	$ -	$ 4,080,951
Transportation Fund	-	-	-	456,609
Special Fund	-	-	-	3,028,115
Federal Revenue Fund	-	-	-	3,275,554
Global Commitment Fund	-	-	-	37,341,879
Non-major Governmental Funds	-	-	-	6,669
Liquor Control Fund	-	-	-	161
Non-major Enterprise Funds	91,828	-	-	91,828
Internal Service Funds	-	-	4,559	31,982,797
Fiduciary Funds	-	-	-	376,775
Total	$ 91,828	$ 406,476	$ 4,559	$ 80,641,338

B. Advances To/From Other Funds

The General Fund has made cash advances to certain proprietary funds for imprest petty cash disbursements needs. The General Fund advances to other funds at June 30, 2012, are summarized below.

Proprietary Funds		
Vermont Lottery Fund	$	300,000
Liquor Control Fund		75
Non-major Proprietary Funds		1,200
Total	$	301,275

C. Interfund Receivables/Payables

The primary government cash in most funds is pooled in the State Treasurer's accounts. When a fund has a deficit cash balance, this amount is reclassified to a liability account - interfund payable. The General Fund reports the corresponding interfund receivable for the cash borrowed from the pool. The following funds at June 30, 2012, reported interfund payables. It is expected that certain amounts due the General Fund from the Internal Service Funds will not be repaid within one year. It is expected that these interfund payables will be reduced in future years through changes to billing rates and management of operations.

Proprietary Funds		
Non-major Enterprise Funds	$	2,033,224
Internal Service Funds		68,249,564
Fiduciary Funds		
Investment Trust Fund		132,458
Agency Funds		249,754
Total	$	70,665,000

D. Inter - Primary Government/Component Unit Balances

Advances to component units consist of the amounts advanced under various agreements with component units to use the funds for specific programs. As the component unit uses the funds, the advance is reduced and expenditures are recognized by the State. At June 30, 2012, the General Fund advances to component units was $1,028,960 advanced to the Vermont Development Authority for interest rate subsidies and grants to be issued at the direction of State agencies. The Special Fund advance was $1,259,962 to VEDA for emergency flood relief loans.

Due from component units/Due to primary government consist of the amounts owed to the primary government for programs administered by component units, in accordance with memoranda of understanding with State departments, and for the elimination of negative balances in the State Treasurer's pooled cash. Due from primary government/Due to component units consist of amounts appropriated from the primary government's funds to the component units that had not been disbursed by fiscal year end.

At June 30, 2012, these account balances are as follows.

	Due to Primary Government/(Component Units)		
	Vermont Housing & Conservation Board	Vermont Economic Development Authority	Total
Due from Component Units			
General Fund	$ 2,016,835	$ -	$ 2,016,835
Special Fund	-	42,530	42,530
Due from Primary Government			
Non-major Governmental Funds	(2,071,706)	-	(2,071,706)
Total	$ (54,871)	$ 42,530	$ (12,341)

E. Interfund Transfers

Transfers between funds occur when one fund collects revenues and transfers the assets to another for expenditure or when one fund provides working capital to another fund. All transfers are legally authorized by the Legislature through either statute or Appropriation Acts.

The Education Fund received transfers from the General Fund and the Vermont Lottery Commission to support the general State grant for local education. The Special Fund received transfers from the General Fund for Emergency Relief Assistance and Home Heating Fuel Assistance Funds, from the Federal Revenue Fund for the earned income tax credit for the year, and from the Global Commitment Fund for education Medicaid reimbursements. The Global Commitment Fund received transfers from the General and Special Funds for Medicaid related services provided under the Vermont Global Commitment to Health Medicaid waiver.

Interfund transfers for the fiscal year ending June 30, 2012, are on the following page.

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	Transfers Out				
	Governmental Funds				
Transfers in	General Fund	Transportation Fund	Education Fund	Special Fund	Federal Revenue Fund
General Fund	$ -	$ 4,739,288	$ -	$ 18,506,660	$ 13,087,120
Transportation Fund	-	-	-	185,352	-
Education Fund	276,240,000	-	-	7,864,005	-
Special Fund	36,569,536	1,431,003	147,747	-	17,642,723
Federal Revenue Fund	-	-	-	-	-
Global Commitment Fund	131,201,429	-	-	291,990,562	-
Non-major Governmental Funds	64,575,793	5,805,499	-	1,098,382	1,437,142
Unemployment Compensation Trust Fund	-	-	-	-	-
Non-major Enterprise Funds	250,000	-	-	-	-
Internal Service Funds	6,874,383	1,120,000	-	-	-
Total	$ 515,711,141	$ 13,095,790	$ 147,747	$ 319,644,961	$ 32,166,985

continued below

	Transfers Out				
	Governmental Funds		Proprietary Funds		
Transfers in	Global Commitment Funds	Non-major Governmental Funds	Unemployment Compensation Trust Funds	Liquor Control Fund	Vermont Lottery Commission
General Fund	$ -	$ -	$ -	$ 880,066	$ -
Transportation Fund	-	185,353	-	-	-
Education Fund	-	-	-	-	22,328,096
Special Fund	23,474,553	200,000	-	-	-
Federal Revenue Fund	-	4,687,564	-	-	-
Global Commitment Fund	-	-	-	-	-
Non-major Governmental Funds	-	-	-	-	-
Unemployment Compensation Trust Fund	-	-	-	-	-
Non-major Enterprise Funds	-	-	815,785	-	-
Internal Service Funds	-	-	-	-	-
Total	$ 23,474,553	$ 5,072,917	$ 815,785	$ 880,066	$ 22,328,096

continued below

	Transfers Out			
Transfers in	Non-major Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General Fund	$ -	$ 300,000	$ 3,664,414	$ 41,177,548
Transportation Fund	-	-	-	370,705
Education Fund	-	-	-	306,432,101
Special Fund	-	756,724	-	80,222,286
Federal Revenue Fund	-	-	-	4,687,564
Global Commitment Fund	-	-	-	423,191,991
Non-major Governmental Funds	-	-	60,675	72,977,491
Unemployment Compensation Trust Fund	771,006	-	-	771,006
Non-major Enterprise Funds	-	-	-	1,065,785
Internal Service Funds	-	-	-	7,994,383
Total	$ 771,006	$ 1,056,724	$ 3,725,089	$ 938,890,860

Note 4: CAPITAL ASSETS

A. Capital Asset Activity

Capital assets activities for the fiscal year ended June 30, 2012, were as follows:

Primary Government

Governmental Activities	Beginning Balance	Additions	Deletions	Reclassifications & Donations	Ending Balance
Capital assets, not being depreciated					
Land, land use rights, and land improvements	$ 114,140,562	$ 3,324,527	$ -	$ -	$ 117,465,089
Construction in process	439,533,473	205,953,057	(151,419,224)	(3,437,308)	490,629,998
Works of art	136,003	-	-	-	136,003
Total capital assets, not being depreciated	553,810,038	209,277,584	(151,419,224)	(3,437,308)	608,231,090
Capital assets, being depreciated					
Buildings and improvements	432,779,041	14,739,968	(2,313,238)	99,313	445,305,084
Machinery and equipment	163,705,445	21,318,527	(11,656,943)	(99,313)	173,267,716
Infrastructure	1,686,052,884	133,188,918	(27,095,521)	-	1,792,146,281
Total capital assets, being depreciated	2,282,537,370	169,247,413	(41,065,702)	-	2,410,719,081
Less accumulated depreciation for					
Buildings and improvements	(187,146,206)	(12,020,641)	(3,651,379)	-	(202,818,226)
Machinery and equipment	(109,566,672)	(15,100,980)	10,062,547	-	(114,605,105)
Infrastructure	(702,579,206)	(70,751,108)	22,400,788	-	(750,929,526)
Total accumulated depreciation	(999,292,084)	(97,872,729)	28,811,956	-	(1,068,352,857)
Capital assets, being depreciated, net	1,283,245,286	71,374,684	(12,253,746)	-	1,342,366,224
Governmental activities capital assets, net	$ 1,837,055,324	$ 280,652,268	$ (163,672,970)	$ (3,437,308)	$ 1,950,597,314

Business-type Activities	Beginning Balance	Additions	Deletions	Reclassifications & Donations	Ending Balance
Capital assets, being depreciated					
Buildings and improvements	$ 59,935	$ -	$ -	$ -	$ 59,935
Machinery and equipment	2,119,998	203,037	(179,909)	-	2,143,126
Total capital assets, being depreciated	2,179,933	203,037	(179,909)	-	2,203,061
Less accumulated depreciation for					
Buildings and improvements	(37,212)	(6,293)	-	-	(43,505)
Machinery and equipment	(1,285,817)	(308,380)	179,909	-	(1,414,288)
Total accumulated depreciation	(1,323,029)	(314,673)	179,909	-	(1,457,793)
Capital assets, being depreciated, net	856,904	(111,636)	-	-	745,268
Business-type activities capital assets, net	$ 856,904	$ (111,636)	$ -	$ -	$ 745,268

Fiduciary Activities	Beginning Balance	Additions	Deletions	Reclassifications & Donations	Ending Balance
Capital assets, not being depreciated					
Construction in process	$ 3,072,370	$ 423,406	$ -	$ -	$ 3,495,776
Total capital assets, not being depreciated	3,072,370	423,406	-	-	3,495,776
Capital assets, being depreciated					
Machinery and equipment	2,189,187	16,222	(30,399)	-	2,175,010
Total capital assets, being depreciated	2,189,187	16,222	(30,399)	-	2,175,010
Less accumulated depreciation for					
Machinery and equipment	(589,897)	(237,632)	30,399	-	(797,130)
Total accumulated depreciation	(589,897)	(237,632)	30,399	-	(797,130)
Capital assets, being depreciated, net	1,599,290	(221,410)	-	-	1,377,880
Fiduciary activities capital assets, net	$ 4,671,660	$ 201,996	$ -	$ -	$ 4,873,656

Current period depreciation expense was charged to functions of the Primary Government as follows:

Governmental Activities		**Business-type Activities**	
General Government	$ 10,512,509	Liquor Control	$ 299,597
Protection to Persons and Property	5,052,248	Vermont Lottery Commission	13,140
Human Services	873,783	Vermont Life Magazine	1,936
Labor	9,750		
General Education	13,552	**Total**	$ 314,673
Natural Resources	1,741,069		
Commerce & Community Development	150,655	**Fiduciary Activities**	
Transportation	71,622,283		
Depreciation on capital assets held by		Pension Trust Funds	$ 237,413
Internal Service Funds	7,896,880	Privat Purpose Trust Funds	219
Total	$ 97,872,729	**Total**	$ 237,632

B. **Impairment of Capital Assets**

State capital assets have been impaired as a result of physical damage caused by Tropical Storm Irene. An impairment loss has been calculated for this damage as required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The amount of the impairment loss for damaged capital assets is based on calculations using the Restoration Cost Approach, in which a ratio of either (a) the estimated costs to restore the impaired assets' service utility divided by the replacement costs, or (b) the deflated estimated restoration costs divided by the historical costs, is multiplied by the carrying value of each impaired asset. As a result, assets fully depreciated prior to the tropical storm would have an impairment loss of zero, regardless of the damage. Actual repairs to damaged capital assets are expected to far exceed the calculated impairment loss.

Insurance recoveries received during the year that were related to those impaired assets have been used to offset the impairment loss, in accordance with the guidelines of GASB 42. Insurance recoveries were also recognized during the year to the extent the amounts were determined to be realizable. Insurance recoveries received in excess of the calculated impairment losses would result in a gain being recorded. The impairment loss net of insurance recoveries received during the year is reported as a program expense in the Government -wide Statement of Activities, and as a nonoperating expense in the Statement of Revenues, Expenses and Changes in Net Assets for Proprietary Funds. Governmental funds do not report capital assets or losses associated with capital assets. Accordingly, insurance recoveries received during the year are reported as nonoperating revenue in the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds. Insurance recoveries that will be received or recognized in subsequent year(s) will be recorded as program revenue in the Government-wide Statement of Activities and as nonoperating revenue in the Statement of Revenues, Expenses and Changes in Net Assets for Proprietary Funds.

Reimbursements from the Federal Emergency Management Agency (FEMA), the Federal Highway Administration (FHWA) and similar agencies are not treated in the same manner as insurance recoveries. Unlike insurance, which transfers the risk of loss to a third party, under these programs the risk of loss is not transferred to the federal government; rather the government provides emergency grant assistance to help cope with losses. These reimbursements are recognized as program revenue in the Government-wide Statement of Activities and in the Statement of Activities for Component Units, and as nonoperating revenue in the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds and the Statement of Revenues, Expenses and Changes in Net Assets for Proprietary Funds, when all applicable grant requirements have been met.

The impairment loss for capital assets is based on a threshold for restoration costs of the greater of $100,000 or 20% of the capitalized cost of the asset.

Impairment losses calculated for Governmental Activities assets, net of insurance recoveries, are $4,790,250 for buildings, $17,060 for machinery and equipment, and $4,532,432 for infrastructure (including $2,020,836 for assets that have been completely destroyed and $7,540,632 for assets that have been damaged and will be repaired). The carrying value of impaired assets that were idle at the end of the year is $17,903,330 for buildings and $1,202,293 for infrastructure.

The State has recognized $238,786 in insurance recoveries related to machinery and equipment. Insurance coverage is not available for the State's infrastructure. Recoveries are reported as an offset to the impairment loss.

Net losses after recoveries for assets carried in Internal Service Funds total $1,097,077. This amount is included as nonoperating revenue on the Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets. Net losses after recoveries for assets carried in Governmental Funds total $8,242,665. No amount related to capital assets is displayed in Governmental Fund financial statements. On the Statement of Activities, losses relating to Internal Service Funds are included in miscellaneous revenues, and losses relating to Governmental Activities are included in the applicable functional expenses.

Note 5: RETIREMENT PLANS AND OTHER POST EMPLOYMENT BENEFITS

In accordance with State statutes, the State Treasurer and the individual retirement systems' Board of Trustees administer the State's three defined benefit pension plans and two defined contribution plans. These systems are considered part of the State's reporting entity and are included in the accompanying financial statements as pension trust funds in the fiduciary fund type. There are no separate stand-alone financial statements issued for these plans.

Summary of significant accounting policies – basis of accounting and valuation of investments

The financial statements for the pension and other postemployment benefit trust funds are prepared using the accrual basis of accounting. Plan members' contributions are recognized in the period in which the contributions are due. The employers' contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. All investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2012. Securities without an establish market are reported at estimated fair value.

A. Defined Benefit Retirement Plans

Retirement Plan Descriptions

The Vermont State Retirement System (VSRS) (3 V.S.A. Chapter 16) is a single-employer public employee defined benefit retirement system which covers substantially all general State employees and State Police, except employees hired in a temporary capacity. Membership in the system is a condition of employment. The membership consists of:

- general employees who did not join the non-contributory system on July 1, 1981 (Group A), with a contribution rate of 6.4% of payroll (contributions cease upon attainment of 25 years of creditable service);
- State police, law enforcement positions, and airport firefighters (Group C), with a contribution rate of 8.28% of payroll;
- judges (Group D), with a contribution rate of 6.4% of payroll;
- terminated vested members of the non-contributory system (Group E); and
- all other general employees (Group F), with a contribution rate of 6.4% of payroll.

Effective July 1, 2011, the contribution rate for all State employees was raised, through legislation enacted in fiscal year 2011. The rate for Group A and D employees was increased from 5.10% to 6.40% through June 30,

2016. The rate for Group C employees was increased from 6.98% to 8.28% through June 30, 2016. The rate for Group F employees was increased from 5.10% to 6.40% through June 30, 2016, and will then decrease to 5.10% through June 30, 2019, then 4.85% thereafter.

The State Teachers' Retirement System (STRS) (16 V.S.A. Chapter 55) is a cost-sharing public employee defined benefit retirement system with a special funding situation. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State board of education. Membership in the system for those covered classes is a condition of employment. The membership is made up of:

- general teachers who did not join the non-contributory system on July 1, 1981 (Group A), with a contribution rate of 5.5% of payroll (contributions cease upon attainment of 25 years of creditable service);
- terminated vested members of the non-contributory system (Group B); and
- all other general teachers (Group C), with a contribution rate of 5.0% of covered payroll.

The State appropriates funding for pension costs associated with the above two plans. In fiscal years prior to 1982, both systems were solely contributory. Under legislation effective July 1, 1981, Vermont State employees and State teachers could have elected to transfer their memberships from a contributory to a non-contributory membership class. However, in 1990, the Legislature again made both systems contributory effective July 1, 1990, for the STRS and January 1, 1991, for the VSRS. The State's contribution to each system is based on percentage rates of each member's annual earnable compensation. These rates include a "normal contribution" rate and an "accrued liability contribution" rate and are calculated based upon the liabilities of each system as determined by actuarial valuations.

The Vermont Municipal Employees' Retirement System (MERS) (24 V.S.A., Chapter 125) is a cost-sharing, multiple-employer public employees' retirement system that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirement is required to join the system.

Prior to July 1, 1987, the State was statutorily responsible for contributions to the MERS' pension accumulation fund. Effective July 1, 1987, and thereafter, all payments to the system's pension accumulation fund are supported entirely by employer (municipal) and employee contributions. Employers make quarterly payments into the pension accumulation fund. These payments are percentages of annual earnable compensation for each membership group and consist of a "normal" and an "accrued liability" portion. The percentage rates of such contributions are fixed on the basis of the liabilities of the system pursuant to actuarial valuations.

Copies of each individual defined benefit retirement plan's annual actuarial valuation report, information describing each defined benefit plan's provisions including vesting requirements, benefits provided, post retirement adjustments, etc., and information relating to the two defined contribution plans are available for inspection at the Retirement Division, Office of the State Treasurer, 109 State Street, Montpelier, Vermont 05609-6901.

The defined benefit plans' financial statement are as follows:

Statement of Plan Net Assets

Defined Benefit Plans

June 30, 2012

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Assets			
Cash and short term investments	$ 4,858,969	$ 3,930,254	$ 428,733
Receivables			
Contributions - current	3,782,623	3,896,583	2,379,816
Contributions - non-current	-	-	6,774,199
Interest and dividends	2,430	4,702	343,349
Due from other funds	64,614	-	48,607
Other	729	491,774	58,583
Investments at Fair Value			
Pooled investments	1,370,104,804	1,483,892,279	410,258,890
Capital assets, net of depreciation	1,906,486	2,243,052	723,110
Total assets	1,380,720,655	1,494,458,644	421,015,287
Liabilities			
Accounts payable	2,007,016	2,561,646	362,881
Retainage payable	224,143	273,261	111,329
Due to other funds	-	3,836	1,007
Total liabilities	2,231,159	2,838,743	475,217
Net assets held in trust for employees' pension benefits	$ 1,378,489,496	$ 1,491,619,901	$ 420,540,070

Statement of Changes in Plan Net Assets
Defined Benefit Plans
For the Fiscal Year Ended June 30, 2012

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Additions			
Contributions			
Employer - pension benefit	$ 40,302,433	$ 41,231,875	$ 11,532,230
Employer - healthcare benefit	-	10,500,000	-
Plan member	27,708,009	31,827,995	11,337,926
Transfers from other pension trust funds	377,562	85,110	118,191
Medicare part D drug subsidy	-	1,672,423	-
Early retiree reinsurance program	-	2,747,713	-
Total contributions	68,388,004	88,065,116	22,988,347
Investment Income			
Net appreciation in fair value of investments	251,957	11,718	-
Income from pooled investments	28,591,705	30,472,513	8,733,660
Dividends	-	5,194	-
Interest income	13,702	20,304	453,851
Securities lending income	576,926	634,424	173,514
Other income	32,431	38,157	3,701
Total investment income	29,466,721	31,182,310	9,364,726
Less Investment Expenses			
Investment managers and consultants	5,726,752	6,305,871	1,652,847
Securities lending expenses	135,195	149,774	40,415
Total investment expenses	5,861,947	6,455,645	1,693,262
Net investment income	23,604,774	24,726,665	7,671,464
Total additions	91,992,778	112,791,781	30,659,811
Deductions			
Retirement benefits	90,170,209	117,801,002	14,214,160
Other post employment benefits	-	20,620,144	-
Refunds of contributions	1,908,752	1,521,099	1,664,687
Death claims	482,483	186,384	187,393
Transfers to other pension trust funds	219,653	205,448	282,206
Depreciation	86,854	108,139	42,420
Operating expenses	1,242,065	1,496,596	630,431
Total deductions	94,110,016	141,938,812	17,021,297
Change in net assets	(2,117,238)	(29,147,031)	13,638,514
Net assets held in trust for employees' pension benefits			
July 1, 2011	1,380,606,734	1,520,766,932	406,901,556
June 30, 2012	$ 1,378,489,496	$ 1,491,619,901	$ 420,540,070

Plan membership

At June 30, 2012, VSRS, STRS, and MERS membership consisted of:

	VSRS	STRS	MERS
Active employees			
Vested	5,735	7,941	3,985
Non-vested	2,143	2,321	2,621
Total active employees	7,878	10,262	6,606
Retirees and beneficiaries of deceased retirees currently receiving benefits	5,600	7,376	1,991
Terminated employees entitled to benefits but not yet receiving them (vested)	767	793	623
Inactive members	835	2,193	1,653
Total participants	15,080	20,624	10,873

Actuarial Valuation - Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial method for both the STRS and the VSRS plans is set by State statute. Through fiscal year 2005, the method used was entry age normal (EAN) with frozen initial liability (FIL). The Legislature enacted a statute change revising the method to entry age normal without FIL for the actuarial valuation for the year ending June 30, 2006, which effectively restated the starting balance.

Under the previous method, set by State statute, the unfunded liability was frozen at 1988 levels. Any impact of underfunding subsequent to the “freezing” of the liability in 1988 falls to normal cost instead of being added to the unfunded liability as in more conventional funding methods. If funding levels approximate the actuarially required contribution (ARC), as in the case of the funding of VSRS, the effect of changing from EAN-FIL to EAN is attributable to variances between the actuarial assumptions and experience.

Actuarial valuations attempt to estimate costs associated with the pension system based on a number of demographic, economic, and retirement experience assumptions. To the extent assumptions are at variance to experience, this can result in actuarial gains and losses ultimately impacting contribution rates and the development of the ARC. Experience studies are required by statute to be conducted every five years to review actual experience in comparison to these assumptions and to provide recommended changes to assumptions.

At the same time there has been significant discussion on the national level relative to the appropriate interest rate assumptions used by public pension plans. The Vermont retirement systems, in concert with its investment and actuarial consultants, determined that rather than dealing with the interest rate as an isolated calculation, it should be viewed as part of an interrelated set of actuarial assumptions through a formal experience study and accelerated the schedule and completed these studies in fiscal year 2011 for the four year period ending June 30, 2010 (prior studies were completed in 2006 for the state system, 2007 for the teacher system and 2008 for the municipal system).

In fiscal year 2011, all three systems adopted a new method of developing interest rate assumptions called “select-and-ultimate”. Under this method, differences between near-term and long-term expectations of rates of return on assets may be incorporated in the assumed rate of return by setting it on a select-and-ultimate basis. The most recent asset allocation established by the Vermont Pension Investment Committee (VPIC) was the basis of the data inputs into the model.

A select-and-ultimate rate structure can be used to reflect expectations of unusually strong or weak returns in near-term years followed by a trending to a long-term equilibrium. In this sense, it is a more elaborate and complete specification of future return assumptions than is a single rate used in all future years. This interest rate set is restarted every year. All three systems adopted a uniform interest rate assumption based on the application of this model:

· Year 1:	6.25%
· Year 2:	6.75%
· Year 3:	7.00%
· Year 4:	7.50%
· Year 5:	7.75%
· Year 6 through year 8:	8.25%
· Year 9 through year 15:	8.50%
· Year 16:	8.75%
· Year 17 and later:	9.00%

Over a 20-year period, the 50th percentile rate of return forecast for such a portfolio is approximately 7.9%. Since the cash flows associated with each system varies, however, for computational or administrative ease, it is preferable to set the assumed interest rate equal to the single rate that produces the same result as the select-and-ultimate rate set. The effective rate, based on assumed cash flows, for VSRS and MERSis 8.1% and 7.9% for STRS. These changes, reflecting a more conservative approach to actuarial assumptions have had the effect of shifting costs upward.

The recent experience for STRS updated the mortality assumptions for service retirees and beneficiaries to the RP-2000 Mortality Tables for Employees and Healthy Annuitants projected with Scale AA to 2010 (The unadjusted RP-2000 Mortality Tables for Employees and Healthy Annuitants were used for these participants in the prior valuation). The VSRS experience study also incorporated a change in the assumptions for separation from services. The representative values of the assumed annual rates of for withdrawal, and vested retirement were increased for the first ten years of service.

For the STRS, representative values of the assumed annual rates of future salary increases were reduced across all age groups. Disability incidence rates were reduced at certain ages. For post-retirement mortality for Group C in STRS, the age setback was changed from one year for males and females to three years for males and one year for females. Disabled retiree mortality was changed to reflect morality improvement projection to 2016.

In the municipal system, mortality assumptions for active participants, the assumptions were changed from 70% of the Buck mortality tables to 50%.

Under legislation enacted in Fiscal Year 2008, VSRS benefits were modified in three respects for members hired on or after July 1, 2008. First, the maximum benefit payable was increased from 50% to 60% of the average final compensation (AFC). Second, the eligibility condition for an unreduced benefit changed from the attainment of age 62 or 30 years of service to a “rule of 87”. This “Rule of 87” refers to the sum of the employee’s age and years of service. Third, for members not eligible for an unreduced benefit, the reduction for early retirement changed from a uniform 6% per year to one determined on a service based schedule. Due to the relatively small number of participants affected by the hire date incorporated in these changes, the actuary reports a minimal impact on the normal cost and accrued liability. The remaining significant provision of the same legislation makes changes to retiree cost of living (COLA) adjustments. The annual-cost-of living adjustment (COLA) applicable to the benefits of group F members retiring after July 1, 2008, rose from 50% of the annual increase of the Consumer Price Index (CPI) to 100% of the annual increase in the CPI index, up to a ceiling of 5%, effective January 1, 2014. Only current group F members who were actively contributing into the system on June 30, 2008 and retire on or after July 1, 2008 will be eligible for the enhanced COLA in 2014. Group F members who terminated service or transferred to another group plan prior to June 30, 2008 are not eligible for the new COLA unless they return to active group F service after July 1, 2008 and prior to retirement. The COLA provisions were reflected in the 2008 valuation as well as the valuation for the period ending June 30, 2012.

Effective July 1, 2010 a number of changes were made to the STRS based on changes enacted by the Legislature. There were no new changes in fiscal year 2012. For Group C members who are within five years of normal retirement as of July 1, 2010, the maximum allowable benefit will increase from 50% of Average Final Compensation (AFC) to 53.34%, provided that service needed to earn a benefit in excess of 50% of AFC is rendered after July 1, 2010. For Group C members who are not within five years of normal retirement as of July 1, 2010, eligibility for normal retirement is changed from age 62 or completion of 30 years of service, to attainment of age 65 or satisfaction of the "rule of 90." Reductions for early retirement are changed from 6% per year by which commencement of benefits precedes age 62 to factors based on the System's definition of actuarial equivalence. Maximum benefits for members of this group are increased from 50% to 60% of the AFC, and the benefit multiplier is increased from 1.67% per year to 2% per year of service in excess of 20.

Below are listed the various actuarial methods and significant assumptions used to determine the annual required contributions at the State level for VSRS and STRS.

	VSRS	**STRS**	**MERS**
Valuation date	06/30/12	06/30/12	07/01/12
Actuarial cost method	Entry Age Normal	Entry Age Normal	Projected benefit cost method
Amortization method	Level percentage of payroll	Level percentage of payroll	Installments increasing 5% per year
Remaining amortization period [1] All closed basis	26 years	26 years	26 years
Asset valuation method [2]	Preliminary Asset Value plus 20% of difference between market and preliminary asset values	Preliminary Asset Value plus 20% of difference between market and preliminary asset values	Actuarial value of assets using a five year smoothing technique
Actuarial assumptions			
Investment rate of return [3]	6.25%-9.00%	6.25%-9.00%	6.25%-9.00%
Projected salary increases	4.50%-7.79%	4.25%-8.40%	5%
Cost of living adjustments	1.5%-3.0%	1.5%-3.0%	Group A - 1.5% Groups B, C & D - 1.8%
Post Retirement Adjustments			
Allowances in payment for at least one year adjusted for cost of living based on CPI but not in excess of percentage indicated	Groups A, C & D - 5%	Group A - 5%	N/A
Allowances in payment for at least one year increased on January 1 by one-half of the percentage increase in CPI but not in excess of percentage indicated	Group F - 5% [4]	Group C - 5%	Group A - 2% Groups B, C & D - 3%
Assumed annual rate of cost-of-living increases	For those eligible for increases of 100% of CPI change: 3.0%	For those eligible for increases of 100% of CPI change: 3.0%	
	For those eligible for increases of 50% of CPI change: 1.5%	For those eligible for increases of 50% of CPI change: 1.5%	

(1) The 30-year period for amortization of the unfunded actuarial accrued liability was restarted effective 7/1/08 for STRS, and VSRS.
(2) The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected income.
(3) Effective 6/30/11, a select-and ultimate interest rate assumption was used, as described earlier in the note.
(4) Effective January 1, 2014, the Group F employees who were actively contributing into the system on June 30, 2008, and retire on or after July 1, 2008, will be eligible for the enhanced cost of living adjustment, which will increase to equal the full CPI change.

The actuary has estimated the change in the unfunded actuarial accrued liability between June 30, 2011 and June 30, 2012, as follows:

	VSRS	STRS
Unfunded actuarial accrued liability, June 30, 2011	$ 346,537,738	$ 845,107,880
Normal cost	41,517,079	35,205,405
Contributions	(68,388,004)	(88,065,116)
Interest on unfunded liability, normal cost and contributions	22,148,689	52,309,253
Restart of select-and-ultimate interest structure	31,587,726	43,012,727
Actuarial (gains)/losses experience:		
Salary experience	10,916,553	(18,940,673)
COLA experience	2,278,408	2,591,239
Mortality experience	4,809,926	4,238,443
Retirement and disability experience	7,723,400	17,997,922
Termination experience	3,006,875	54,234,810
New members and rehires	2,645,456	2,751,161
Investment and other expenses	7,412,175	23,121,145
Investment experience	(274,598)	6,447,642
Other (data corrections, purchased services, etc.)	(10,096,678)	(34,509,522)
Unfunded actuarial accrued liability, June 30, 2012	$ 401,824,745	$ 945,502,316

Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation (NPO) to the Vermont State Retirement System and the State Teachers' Retirement System at June 30, 2012 were as shown on the following page.

	VSRS	STRS
Annual Required Contribution (ARC)	$ 28,748,401	$ 51,241,932
Interest on NPO	3,926,266	11,454,583
Adjustment to ARC	(3,531,192)	(10,301,984)
Annual Pension Cost (APC)	29,143,475	52,394,531
Employer Contribution Made	(40,302,433)	(56,152,011)
Increase (Decrease) in NPO	(11,158,958)	(3,757,480)
NPO - July 1, 2011	62,820,259	183,273,322
NPO - June 30, 2012	$ 51,661,301	$ 179,515,842
Percentage of APC contributed	138.29%	107.17%

Three-Year Trend Information

Year Ended 6/30	Annual Pension Cost	Percentage Contributed	NPO Balance
VSRS			
2010	$ 38,795,109	81.12%	$ 54,374,109
2011	46,018,749	81.65%	62,820,259
2012	29,143,475	138.29%	51,661,301
STRS			
2010	46,220,068	103.23%	180,245,609
2011	53,295,844	94.32%	183,273,322
2012	52,394,531	107.17%	179,515,842

Funded Status and Funding Progress

The following is funded status information for the three defined benefit plans as the most recent valuation date, with amounts in thousands:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
VSRS						
6/30/12	$ 1,400,779	$ 1,802,604	$ 401,825	77.7%	$ 385,526	104.2%
STRS						
6/30/12	1,517,410	2,462,913	945,503	61.6%	561,179	168.5%
MERS						
7/1/12	417,443	488,572	71,129	85.4%	215,075	33.1%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

B. Defined Contribution Retirement Plans

Vermont State Defined Contribution Plan
In accordance with Title 3 of the Vermont Statutes Annotated, Chapter 16A, the State established an optional defined contribution plan for exempt State employees effective January 1, 1999. The Vermont State Defined Contribution Plan is reported in the Pension Trust Funds.

Exempt employees hired after January 1, 1999, have a one-time opportunity to elect either the defined benefit or defined contribution plan. Employees are required to contribute at the rate of 2.85%. The State is required to contribute to each employee's account at the rate of 7% of the employee's compensation for each payroll period. An employee becomes vested in the plan after completion of 23 months of creditable service as a State employee. During the fiscal year ending June 30, 2012, member contributions totaled $649,488 with State employer contributions at $1,813,629. As of June 30, 2012, the Vermont State Defined Contribution Plan's net assets totaled $45,140,497 and there were 434 participants.

Vermont Municipal Employees' Defined Contribution Plan
The Vermont Municipal Employees' Defined Contribution Plan (24 V.S.A. 5070) was implemented by the Vermont Municipal Employees' Retirement System's Board of Trustees on July 1, 2000, and is reported as a pension trust fund. The defined contribution plan was offered by municipal employers to one or more groups of their eligible employees. Once offered by the employer, each eligible employee was required to make an election to participate. Employees participating in one of the municipal defined benefit plans who elected to participate in the defined contribution plan had the July 1, 2001, actuarial value of their accrued defined benefit plan transferred to the defined contribution plan. Employers that did not offer the defined contribution plan to their employees as of December 31, 1999, have an opportunity to do so no later than December 31 of any subsequent year with the transfer effective July 1 of the following year.

Participating municipal employees and their employers are required to contribute at the rate of 5% of earnable compensation. Effective July 1, 2008, employers began contributing 5.125% while employee contribution percentages remain unchanged. Employees become vested in the plan after 12 months of service. During the fiscal year ending June 30, 2012, member contributions totaled $659,609 and employer contributions at $605,657. As of June 30, 2012, the Municipal Employees' Defined Contribution Plan's net assets totaled $16,540,973, and there were 351 participants.

Single Deposit Investment Account
The Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan. reported as a Pension Trust Fund, was established according to the provisions of Public Act 41 of the 1981 Session. The Act authorized a new Group B non-contributory plan within the State Teachers Retirement System (STRS) and a new Group E non-contributory plan within the Vermont State Retirement System (VSRS).

The STRS's members in the Group A contributory plan could have elected to either remain in the Group A plan or transfer to the new Group B non-contributory plan. Group A members electing to transfer to the Group B plan had their choice between the following three options:

- have both their accumulated employee contributions and accumulated interest returned to them; or
- have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

The VSRS's members in the Group A contributory plan could have elected to either remain in the Group A plan or transfer to the new Group E non-contributory plan. Group A members electing to transfer to the Group E plan had their choice between the following three options:

- have both their accumulated employee contributions and accumulated interest returned to them; or
- have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

No additional contributions could be made to the SDIA beyond those described above. The SDIA funds are not available to the members until they retire or terminate employment. At June 30, 2012 there were 1,788 members, with net assets of $74,074,894 in the Single Deposit Investment Account.

The defined contribution plans' financial statements are as follows:

Statement of Plan Net Assets
Defined Contribution Plans
June 30, 2012

	Vermont State Defined Contribution Fund	Single Deposit Investment Account	Vermont Municipal Employees' Defined Contribution Fund
Assets			
Cash and short term investments	$ 75,165	$ 1,020,170	$ 83,233
Receivables			
Contributions - current	120,382	-	13,106
Interest and dividends	-	125	-
Investments at fair value			
Mutual funds	44,994,420	73,054,599	16,493,804
Total assets	45,189,967	74,074,894	16,590,143
Liabilities			
Accounts payable	4,266	-	563
Due to other funds	45,204	-	48,607
Total liabilities	49,470	-	49,170
Net assets held in trust for employees' pension benefits	$ 45,140,497	$ 74,074,894	$ 16,540,973

Statement of Changes in Plan Net Assets
Defined Contribution Plans
For the Fiscal Year Ended June 30, 2012

	Vermont State Defined Contribution Fund	Single Deposit Investment Account	Vermont Municipal Employees' Defined Contribution Fund
Additions			
Contributions			
Employer - pension benefit	$ 1,813,629	$ -	$ 659,609
Plan member	694,488	-	605,657
Transfers from other pension trust funds	110,673	-	15,771
Transfers from non-state systems	5,009	-	14,485
Total contributions	2,623,799	-	1,295,522
Investment Income			
Net appreciation (depreciation) in fair value of investments	(1,131,683)	1,040	(529,722)
Dividends	1,151,379	2,414,165	453,412
Interest income	124	862	335
Securities lending income	-	38	-
Total investment income	19,820	2,416,105	(75,975)
Less Investment Expenses			
Investment managers and consultants	-	234,679	-
Total investment expenses	-	234,679	-
Net investment income	19,820	2,181,426	(75,975)
Total additions	2,643,619	2,181,426	1,219,547
Deductions			
Retirement benefits	2,578,550	6,734,383	680,642
Operating expenses	46,432	-	81,025
Total deductions	2,624,982	6,734,383	761,667
Change in net assets	18,637	(4,552,957)	457,880
Net assets held in trust for employees' pension benefits			
July 1, 2011	45,121,860	78,627,851	16,083,093
June 30, 2012	$ 45,140,497	$ 74,074,894	$ 16,540,973

C. Other Post Employment Benefits

In addition to providing pension benefits, the State offers post employment medical insurance, dental insurance, and life insurance benefits to retirees of the VSRS and STRS.

Medical Insurance Plan Descriptions

Vermont State Retirement System

Employees Hired Prior To July 1, 2008

Employees hired prior to July 1, 2008, and retiring directly from active State service for any reason (disability, early, or normal), including the State Police, may elect to carry whatever medical coverage is in effect at that time into retirement for themselves and their dependents. During their lifetime the retiree will pay 20% of the cost of the premium, except in the case where retirees select joint or survivorship options. If the retiree chooses the joint or survivor pension options and predeceases his or her spouse, the medical benefits along with the pension benefit will continue for the spouse. However, generally, the surviving spouse must pay 100% of the cost of the premium.

In addition, once a retiree or surviving spouse becomes eligible for Medicare coverage (at age 65); it is mandatory that they enroll in both Medicare Part A and Part B as soon as possible. Medicare thus becomes the primary insurer with the State plan becoming the secondary insurer. The insured's State insurance premium costs will then decrease in recognition of this change.

If an employee, other than a group C member, does not retire directly from State service, they are not eligible to participate in the State's medical insurance plan. Group C members who terminate with 20 or more years of service, but are not yet 50 years old, may elect to receive medical coverage at the time they begin receiving their retirement benefits. If the insurance is terminated at any time after retirement benefits have been received, coverage will not be able to be obtained again at a later date.

Employees Hired After June 30, 2008

Based on legislation enacted during fiscal year 2008, Group F employees hired after June 30, 2008 will pay, upon retirement, a tiered retiree health care premium amount based on completed years of service. The tiered rate paid will range from 100% of the premium cost for retirees with less than 10 years of service to 20% of the premium cost for retirees with 20 or more years of service. Additionally, as part of the enacted legislation, Group F employees hired after June 30, 2008 will also have the ability to elect health care insurance at the 20% premium cost level when they begin to receive retirement benefits in a manner comparable to regular retirements even if the employee terminated prior to their early retirement date, provided the member had 20 years of service upon termination of employment.

As of June 30, 2012, 4,132 of the 12,404 participants in the plan were retirees enrolled in the single, spousal, or family plan options. Of the $142.0 million in premiums received by the Medical Insurance Fund (internal service fund) during 2012, retirees contributed $6.3 million. Of the $125.6 million in claims expense incurred by the Medical Insurance Fund during 2012, $34.8 million was attributable to retiree claims.

The Vermont State Postemployment Benefits Trust Fund (3 V.S.A. 479a) was established in fiscal year 2007 as an irrevocable trust fund for the purpose of accumulating and providing reserves to support retiree postemployment benefits other than pension benefits for members of the VSRS. By definition this is a fund required to follow the reporting requirements of the Governmental Accounting Standards Board Statement No. 43 - "Financial Reporting for Postemployment Benefit Plans Other Than Pensions." The State's fiscal year 2012 contributions to this trust fund totaled $27.7 million which included a $1.8 million Medicare D reimbursement received from the Federal Government. The trust fund then paid premium payments of $25.9 million (calculated on a pay-as-you-go basis) to the State's Medical Insurance Fund. At June 30, 2012, the trust fund has total net assets of $13,378,884 being held in trust for postemployment benefits other than pension benefits.

State Teachers Retirement System

Retirees in the STRS plan participate in multi-employer health coverage plans operated by the Vermont Education Health Initiative (VEHI) which is managed jointly by the Vermont School Boards Insurance Trust and the Vermont- National Education Association. VEHI partners with Blue Cross Blue Shield to provide health insurance to retired and active teachers. VEHI issues its own audited financial statements. These and plan information are available the VEHI Offices, 2 Prospect Street, Suite 5, Montpelier, VT 05602.

Members of the STRS have access to three medical benefit plans in retirement. The plans are identical to those offered to active teachers in public school systems in Vermont. Members may pick up medical coverage under one of the plans offered for themselves and all eligible dependents at the time of retirement, or anytime thereafter during one of the semi-annual open enrollment periods. Current employees with ten or more years of service as of July 1, 2010, receive a premium subsidy of 80%, and have a tiered years of service requirement to be eligible for an 80% spousal insurance premium subsidy. For new hires and those with less than 10 years of service as of July 1, 2010, there is no premium subsidy for those retiring with less than 15 years of service at retirement, 60% single premium subsidy at 15 years, 70% single premium subsidy at 20 years ,and 80% single and spousal premium subsidy at 25 years. The retiree must pick up the full cost of the premium for all covered dependents. No plan changes were made in fiscal year 2012.

Once a retiree becomes eligible for Medicare coverage (at age 65), it is mandatory that they enroll in both Medicare Part A and Part B. Medicare becomes the primary insurer and the Teacher's medical plans become the secondary insurer. Two of the plans offered become "carve-out" plans to coordinate with Medicare, and one of the plans is replaced with a true Medicare supplemental plan. The premiums for all plans are reduced in accordance with the decrease in liability once Medicare becomes the primary insurer.

As of June 30, 2012, 4,751 retirees are enrolled in the single, spouse, and family medical plan options. The retirees contributed $7.6 million in premiums, the State contributed $10.5 million to the STRS pension trust fund for medical benefit premiums, and the STRS pension trust fund paid $20.6 million in premiums to VEHI on a pay-as-you-go basis, during fiscal year 2012. VEHI incurred $33.1 million in retiree claims expense for the fiscal year ending June 30, 2012.

Medicare Part D - Prescription Drug Subsidy

Under the Medicare, Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), employer sponsors of retiree prescription drug plans can apply for a 28% subsidy for the qualified prescription drug costs of their retirees. To be eligible for the subsidy, the employer coverage must be actuarially equivalent to the new Medicare Part D coverage and the employer must provide notices of creditable prescription drug coverage to individuals entitled to Medicare Part D.

The State Teachers' Retirement System Board of Trustees agreed that they would continue to offer the same prescription drug coverage program that has been available to active and retired teachers for the past several years. The Retirement Division has received an attestation from its actuaries that the prescription drug program offered to retired teachers is equivalent, and in fact, better than the drug program offered through Medicare Part D. The State system has also agreed to offer the same prescription drug coverage program that has been available to active and retired State employees for the past several years. The Department of Human Resources has received an attestation from its actuaries that the prescription drug program offered to retired members is equivalent, and in fact, better than the drug program offered through Medicare Part D

The systems will continue to evaluate the results of the Medicare Part D Program and its impact on the post-age 65 health care benefits marketplace and prescription drug pricing. The Vermont Teachers' Retirement Board of Trustees and the State will need to determine in future years whether it is in their best interest to continue to offer the same prescription drug program, or whether it should be modified or discontinued. If the determination is to continue to offer the same coverage, the estimated annual subsidy will fluctuate depending on the number of retirees and covered dependents that actually sign up for the Medicare Part D Program. If it is determined that the prescription coverage should either be modified or discontinued, then the savings will be realized by a decrease in medical premiums.

For the fiscal year ending June 30, 2012, the subsidy for the VSRS system was $1,786,719. The State has elected to place this revenue in the Vermont State Postemployment Benefits Trust Fund, an OPEB trust fund to fund future post employment health benefit liabilities. In the case of STRS, the subsidy for fiscal year 2012 was $1,672,423 and was deposited into the STRS Pension Trust Fund.

Plan Membership

At June 30, 2012, the number of participants included in the OPEB valuations is as follows:

	VSRS	STRS
Active employees [(1)]	8,272	10,262
Terminated vested	-	793
Retired employees	4,132	5,185
Total participants	12,404	16,240

[(1)] Number of active employees includes participants in the defined contribution plan.

OPEB Actuarial Valuation- Methods and Assumptions

The State's independent actuary has prepared valuations of the OPEB liabilities for VSRS and STRS as of June 30, 2012. This is the sixth annual OPEB valuation for each system. Both the VSRS and STRS reports present two separate calculations of the State's OPEB liability, depending on whether the liability would be prefunded or remain on a pay-as-you-go basis. Since the VSRS has accumulated some assets, a third blended calculation is also included. The MERS, a cost-sharing, multiple-employer public employees' retirement system, is administered by the State but has no associated State health care benefit or liability. While the Vermont Municipal Employees Health Benefit Fund is classified as a post employment benefit fund, there is no accrued liability in excess of the assets of the fund. There is no annual required contribution and unfunded actuarial accrued liability. Component units and authorities of the State will perform their own valuation as the State does not assume the risk or financial burden for their health care costs.

The health care trend cost rate assumption was modified to extend the period until the ultimate trend rate is reached from 2 years to 8 years in order to reflect general market expectations. Age morbidity factors were adjusted, eliminating the assumed increase in cost for ages above 65 for prescription drug costs for Medicare-eligible participants in light of recent internal studies of claims experience for credible retiree populations comparable to the population covered by the System. Assumed costs for pre-65 medical and prescription drug and Medicare-eligible medical costs continue to reflect age adjustments. All other assumptions, including the assumed discount rate, were the same as those used in 2011.

An OPEB trust has been established for VSRS funded in part, as required by statute, through the deposit of Medicare-D subsidies received for State employees' prescription programs. Therefore the VSRS system reflects a "blended rate" reflecting some level of prefunding, resulting in an assumed discount of 4.25% instead of the pay-as-you-go liability calculated at 4%.

An OPEB valuation was also completed for STRS. An OPEB trust has not been created for STRS and no prefunding has been made. As noted above, an experience study was completed for the STRS retirement system. Valuation assumptions were updated to reflect the postretirement benefit plans changes and the effects of changes to pension benefits adopted concurrently. As a result of the study, the disability incidence and post-retirement mortality assumptions were revised.

In the case of VSRS, health care administrative expenses are appropriated in an administrative budget. The State's contribution for the payment of these administrative expenses is paid into the State Employee Postemployment Benefit Trust Fund which pays the health care expenses. Since these expenses are expressly funded in the State's budget, they have not been included in the VSRS defined benefit pension actuarial contribution calculations.

In the case of STRS, the health care administrative expenses are paid through the pension fund but are not explicitly appropriated. Since these expenses are not expressly funded in the State's budget, they have been included in the STRS defined benefit pension actuarial contribution calculation.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The following list contains the various actuarial methods and significant assumptions used to determine the annual required contributions at the State level for VSRS and STRS OPEB plans.

	VSRS	**STRS**
Valuation date	6/30/2012	6/30/2012
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Closed basis for prefunded Open basis for pay-as-you-go	Closed basis for prefunded Open basis for pay-as-you-go
Remaining amortization period	30 years starting in 2012	30 years starting in 2012
Actuarial assumptions		
Investment rate of return - pay-as-you-go	4.25% [(1)]	4.00%
Medical Care and State Share inflation	6.50% in 2013 6.25% in 2014 6.00% in 2015 5.75% in 2016 declining to 5% in 2020	5.00%
Coverage	80% of current active employees will elect retiree medical coverage and 70% of terminated vested will elect coverage	60% of current active employees will elect retiree medical coverage and 30% of terminated vested will elect coverage

(1) In fiscal year 2012, partial prefunding resulted in a blended rate of 4.25%

The actuary has estimated the change in the unfunded actuarial accrued liability between June 30, 2011 and June 30, 2012, as follows:

	VSRS	STRS
Unfunded actuarial accrued liability, June 30, 2011	$ 998,576,325	$ 780,032,155
End of year service cost	41,635,535	21,690,053
Interest cost	41,723,540	30,750,867
Benefit payments	(34,046,208)	(22,743,953)
Expected increase in assets	(3,129,835)	-
Impact of recent year demographic experience	4,411,084	31,795,420
New per capita costs	(12,734,566)	(20,221,328)
Other refinements	(38,998,395)	5,876,884
Asset loss	966,487	-
Unfunded actuarial accrued liability, June 30, 2012	$ 998,403,967	$ 827,180,098

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. GASB Statement 45 was implemented in fiscal year 2008 prospectively with a zero net OPEB Obligation (NOO) beginning balance for both the VSRS and STRS OPEB defined benefit plans.

The following table shows the component of the State's annual OPEB cost for the year ended June 30, 2012 the amount actually contributed, and the changes in the State's net OPEB obligation.

	VSRS	STRS
Annual Required Contribution (ARC)	$69,880,277	$43,410,732
Interest on NOO	$6,200,180	$8,952,692
Amortization of NOO	($4,374,380)	($6,471,758)
Annual OPEB Cost (AOC)	71,706,077	45,891,666
Employer Contribution Made	(27,652,189)	-
Increase in NOO	44,053,888	45,891,666
NOO - July 1, 2011	145,886,587	223,817,296
NOO - June 30, 2012	$ 189,940,475	$ 269,708,962
Percentage of ARC contributed	38.56%	0.00%

Three-Year Trend Information

OPEB Fund/Plan	Year Ended 6/30	Annual OPEB Cost*	Percentage Contributed	NOO Balance
State Employees' Postemployment Benefit Trust Fund				
	2010	$ 58,856,739	38.28%	$ 104,937,441
	2011	68,343,620	40.08%	145,886,587
	2012	71,706,077	38.56%	189,940,475
Postemployment Benefits for State Teachers Retirement System				
	2010	60,296,524	0.00%	180,309,205
	2011	43,508,091	0.00%	223,817,296
	2012	45,891,666	0.00%	269,708,962

* Determined on a pay-as-you-go basis

Funded Status and Funding Progress

The funding status of the plans as of June 30, 2012, was as follows *(expressed in thousands)*:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
VSRS [1]						
6/30/12	$ 13,379	$ 1,011,783	$ 998,404	1.3%	$ 406,929	245.4%
STRS [2]						
6/30/12	-	827,180	827,180	0.0%	561,026	147.4%

[1] Reflects blended discount rate of 4.25% in 2012

[2] Discount rate for 2012 at 4.0%, reflecting no prefunding

The schedule of funding progress, presented as required supplementary information immediately following these notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Dental Insurance

Dental plans are available to retired State employees, retired teachers, retired municipal employees and their eligible dependents. The dental plan must be elected at the time of retirement. The retiree pays the full premium for all covered lives. There is no cost to the State.

Life Insurance

In the case of life insurance, if a State employee retires with 20 or more years of service and was participating

in the life insurance program, it will continue into retirement, but, up until July 1, 2008, was reduced to $5,000. As of July 1, 2008, this benefit was increased to $10,000 for all State employees. If a State employee retires due to disability prior to age 60, and if proper documentation is approved by the life insurance company, full life insurance coverage will continue at the State's expense up to age 65. When the retiree reaches the age of 65 and if they have a total of 20 years or more of active and retired (while receiving disability) service, life insurance coverage will automatically change to the $10,000 (increase from $5,000 effective July 1, 2008) level with 100% of the premium being paid by the State. In addition, a retiree may convert their insurance coverage in effect at their time of retirement to an individual policy within 30 days of their retirement date without a physical exam.

Vermont Municipal Employees Health Benefit Fund

The MERS RHS Plan established on July 1, 2007, is a tax-advantaged savings plan that assists retirees in paying for healthcare costs after retirement. Contributions to this fund are deposited into the RHS Plan member accounts on a tax-free basis, accumulate interest on a tax-free basis, and are drawn out during retirement on a tax-free basis to reimburse health care expenses, including out-of-pocket expenses, deductibles and premiums.

The MERS Board deposited an initial amount of $5.1 million into the RHS accounts on July 2, 2007. Additional employer contributions totaling approximately $6 million were collected during the course of the fiscal years 2008 and 2009 that were deposited in member accounts during fiscal year 2009. No such contributions have been made since fiscal year 2009. Future contributions and subsequent transfers to member accounts will be made as directed by the MERS Board of Trustees. There is no guarantee that the RHS member accounts will receive any additional funding. While classified as a post employment benefit fund, there is no accrued liability in excess of the asset of the fund. There is no annual required contribution and unfunded actuarial accrued liability.

All MERS defined benefit members and retirees who have a minimum of 5 years of contributory service are eligible to participate in the RHS plan. The amount each member will receive is determined by the total number of contributory years of service in the system. Each year of service is equal to one share. The share value is determined based on the total eligible population, the total number of years of contributory service represented, and the amount of the distribution. The share value will change when future deposits are made. All eligible members receive the first five shares in their medical reimbursement account, which may be used for any medical expense, including premium reimbursement. The additional shares, representing service credit above five years, are deposited into the premium reimbursement account, which may only be used for medical, dental, vision or long-term health care premium reimbursements.

The money may be accessed by members only after separation from service and the achievement of retiree status from the MERS plan. For members who were already receiving retirement benefits from the MERS, the funds in their RHS account could be accessed after July 2, 2007 to reimbursement expenses incurred after July 1, 2007. Members who are still actively employed, and members in a vested-terminated status, may access the funds once they retire and begin receiving monthly pension payments. Funds in the RHS accounts are invested in the appropriate age-related Milestone Fund through a third party record keeper.

At June 30, 2012, there were 5,238 active and retired members participating in the MERS RHS plan. Investments in member accounts as of June 30, 2012 totaled $10,786,329.

The financial statements for the OPEB Funds are as follows:

Statement of Plan Net Assets
Other Postemployment Benefit Funds
June 30, 2012

	Vermont State Postemployment Benefits Trust Fund	Vermont Municipal Employees' Health Benefit Fund
Assets		
Cash and short term investments	$ 2,756,174	$ 277,004
Receivables		
Due from other funds	376,775	-
Investments at Fair Value		
Fixed income	7,177,476	-
Equities	3,051,156	-
Mutual funds	61,067	10,509,325
Total assets	13,422,648	10,786,329
Liabilities		
Accounts payable	14,567	-
Due to other funds	43,764	-
Total liabilities	58,331	-
Net assets held in trust for employee's other postemployment benefits	$ 13,364,317	$ 10,786,329

Statement of Changes in Plan Net Assets
Other Postemployment Benefit Funds
For the Fiscal Year Ended June 30, 2012

	Vermont State Postemployment Benefits Trust Fund	Vermont Municipal Employees' Health Benefit Fund
Additions		
Contributions		
Employer - healthcare benefit	$ 25,865,470	$ -
Medicare part D drug subsidy	1,786,719	-
Total contributions	27,652,189	-
Investment Income		
Net appreciation in fair value of investments	37,144	62,552
Dividends	98,868	-
Interest income	239,411	938
Total investment income	375,423	63,490
Less Investment Expenses		
Investment managers and consultants	-	58,490
Total investment expenses	-	58,490
Net investment income	375,423	5,000
Total additions	28,027,612	5,000
Deductions		
Other postemployment benefits	25,863,989	213,526
Operating expenses	275	-
Total deductions	25,864,264	213,526
Change in net assets	2,163,348	(208,526)
Net assets held in trust for employees postemployment benefits		
July 1, 2011	11,215,536	10,994,855
June 30, 2012	$ 13,378,884	$ 10,786,329

Note 6: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 are summarized as follows:

	Governmental Funds		Internal	Total Governmental
	Major	Non-major	Service Funds	Activities
Governmental activities				
Taxes				
Personal and corporate income	$ 230,700,997	$ -	$ -	$ 230,700,997
Sales and use	66,898,290	-	-	66,898,290
Meals and rooms	31,753,610	-	-	31,753,610
Purchase and use	372,071	-	-	372,071
Motor Fuel	7,180,630	103,803	-	7,284,433
Other taxes	13,009,960	-	-	13,009,960
Subtotal	349,915,558	103,803	-	350,019,361
Allowance for uncollectibles	(124,014,020)	-	-	(124,014,020)
Taxes receivable, net	$ 225,901,538	$ 103,803	$ -	$ 226,005,341
Current receivable				$ 89,465,132
Non-current receivable				136,540,209
Total taxes receivable, net				$ 226,005,341
Loans and notes				
Loans and notes receivable	$ 242,498,491	$ -	$ -	$ 242,498,491
Allowance for uncollectibles	(509,000)	-	-	(509,000)
Loans and notes receivable, net	$ 241,989,491	$ -	$ -	$ 241,989,491
Current receivable				$ 25,601,990
Non-current receivable				216,387,501
Total loans and notes receivable, net				$ 241,989,491
Federal grants	$ 194,901,928	$ 437,002	$ -	$ 195,338,930
Other				
Accrued interest and other receivables	$ 110,553,370	$ 998,379	$ 15,931,401	$ 127,483,150
Allowance for uncollectibles	(39,181,789)	-	(48,428)	(39,230,217)
Other receivables, net	$ 71,371,581	$ 998,379	$ 15,882,973	88,252,933
Interfund loans receivable from Fiduciary Funds				382,212
Less Internal Service Funds' receivables from Governmental Funds				(9,499,809)
Other receivables, net				$ 79,135,336
Current receivable				$ 37,519,934
Non-current receivable				41,615,402
Total other receivable, net				$ 79,135,336

	Enterprise Funds		Total Business-type
	Major	Non-major	Activities
Business-type activities			
Taxes			
Unemployment	$ 42,876,273	$ -	$ 42,876,273
Allowance for uncollectibles	(4,332,018)	-	(4,332,018)
Taxes receivable, net	$ 38,544,255	$ -	$ 38,544,255
Loans and notes receivable	$ -	$ 2,198,402	$ 2,198,402
Current receivable			$ 993,093
Non-current receivable			1,205,309
Total loans and notes receivable, net			$ 2,198,402
Federal grants	$ 645,530	$ -	$ 645,530
Other			
Accrued interest and other receivables	$ 4,224,944	$ 536,326	$ 4,761,270
Allowance for uncollectibles	(58,956)	(25,411)	(84,367)
Other receivables, net	$ 4,165,988	$ 510,915	$ 4,676,903
Current receivable			$ 4,668,156
Non-current receivable			8,747
Total other receivable, net			$ 4,676,903

Note 7: LEASE COMMITMENTS

A. Operating Leases

The State is committed under various operating leases covering real property (land and buildings) and equipment. Although lease terms vary, certain leases continue subject to appropriation by the General Assembly. If continuation is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting purposes. It should also be noted that the State is currently negotiating a small number of operating leases on which rent is being paid on a month-by-month basis and for which there is no signed agreement. These leases have not been included in the following table.

Total lease payments paid by the primary government in fiscal year 2012 was $8,939,590 for operating leases of which $8,876,589 was paid for property leases, $36,325 for equipment leases and $26,676 for cancellable land rentals.

The following is a summary of the estimated future minimum rental commitments under operating leases for real property and equipment at June 30, 2012.

Fiscal Year	Primary Government: Non-Cancelable Leases	Primary Government: Cancelable Leases	Primary Government: Total
2013	$ 8,017,735	$ 14,611	$ 8,032,346
2014	5,354,896	4,955	5,359,851
2015	4,002,242	3,754	4,005,996
2016	2,960,768	2,494	2,963,262
2017	2,018,269	2,385	2,020,654
2018 - 2022	4,973,057	9,640	4,982,697
2023 - 2026	319,711	5,212	324,923
Totals	$ 27,646,678	$ 43,051	$ 27,689,729

B. Capital Leases

The State has entered into capital lease arrangements to acquire various items of machinery and equipment and building improvements with a gross asset value totaling $5,046,983. The majority of the gross value total is from a lease with the Banc of America Public Capital Corp, for energy efficiency projects for State buildings located in Montpelier, Waterbury and Middlesex. The total cost of the equipment to be funded by the lessee under the agreement is $4,538,059. In 2012, the lease payment schedule was revised to show a reduction in the principal balance of $190,407. The revised principal reflects these two adjustments: the actual project costs and the cumulative interest compensation on the differential between the actual amount funded and the initial payment schedule dated August 1, 2008. The interest compensation component is calculated at the three-year Treasury Bill rate. The agreement term consists of 120 payments, based on 10 years using a simple interest rate of 3.089% and a compound interest rate of 3.133%. Lease payments for fiscal year 2012 were $598,095.

Capital lease payments for the primary government in 2012 totaled $622,023, with $23,928 for machinery and equipment, and $598,095 for building improvements.

The future minimum lease obligation and the net present value of the minimum lease payments at June 30, 2012 are as follows:

Fiscal Year	Primary Government
2013	$ 614,066
2014	617,812
2015	631,167
2016	643,060
2017	655,258
2018 - 2019	836,434
Total minimum lease payments	3,997,797
Less interest	(378,489)
Present value of minimum lease payments	$ 3,619,308

The State, acting through its Agency of Transportation entered into a capital lease with Main Street Landing Company, for premises in and adjacent to Union Station at 1 Main Street, Burlington, Vermont, on January 20, 1998 and amended on December 16, 1999. The term of the lease was for a 20 year period and the entire 20 year rent was prepaid. The original agreement's rent was $1,500,000 in four equal installments beginning November 26, 1996 and ending in 1998. The amendment included an additional payment of $250,000 for a total rent deposit of $1,750,000.The terms of the lease give the State the right to purchase a condominium interest in their leased property at the end of the lease term for $500,000 subject to certain terms and conditions. The State is also required to pay its share of certain annual operating costs throughout the terms of the lease.

Note 8: GENERAL OBLIGATION BONDS PAYABLE

General obligation bonds payable have been authorized and issued primarily to provide funds for acquisition and construction of capital facilities for higher education, public and mental health, correctional facilities, environmental conservation purposes, maintenance and construction of highways, assistance to municipalities for construction of water and sewage systems, and local schools. Also, bonds have been authorized and issued to refund outstanding general obligation bonds.

Once authorized by the Legislature, the State Treasurer, with the approval of the Governor, may issue general obligation bonds. Except for zero coupon capital appreciation bonds, the bonds are to be payable in substantially equal or diminishing amounts, the first such payment to be payable not later than five years after the date of the bonds, and the last such payment to be made no later than twenty years after the date of the bonds.

Special obligation transportation infrastructure bonds are limited obligations of the State of Vermont payable from and secured solely by a pledge funds held in trust by the Peoples United Bank in accordance with the terms of a Trust Agreement. Funding sources for the pledged funds are funds to be received from the Motor Fuel Infrastructure Assessments as authorized by Act 50 of the 2009 legislative session. The proceeds from this issue are expected to be expended for transportation infrastructure purposes, namely the rehabilitation or replacement of five State bridges, construction of one roadway capacity project, and rehabilitation and reconstruction of two interstate bridges.

The changes in bonds principal payable for fiscal year 2012 are summarized in the following schedule.

	General Obligation Bonds	Special Obligation Bonds	Total Obligation Bonds
Balance, July 1, 2011	$ 495,740,920	$ 13,835,000	$ 509,575,920
Additions:			
Issuances	132,060,000	-	132,060,000
Accretions	280,645	-	280,645
Total	132,340,645	-	132,340,645
Deductions:			
Redemptions	(51,545,000)	(575,000)	(52,120,000)
Defeasance	(70,280,000)	-	(70,280,000)
Total	(121,825,000)	(575,000)	(122,400,000)
Balance, June 30, 2012	$ 506,256,565	$ 13,260,000	$ 519,516,565

On December 1, 1993, the State issued capital appreciation bonds with a maturity value of $32,625,000 maturing on August 1 in the years 1999 through 2013. The proceeds from these bonds totaled $17,987,640. These bonds have a remaining maturity value of $3,750,000 and an accreted value of $3,541,565 at June 30, 2012.

General obligation and special obligation transportation infrastructure bonds outstanding at June 20, 2012, are as follows:

Date Issued	Date Series Matures	Interest Rates %	Amount of Original Issue	Maturity Value of Capital Appreciation Bonds	Maturity Value Sources of Payments: General Fund	Transportation Fund	Special Fund	Maturity Value of Bonds Outstanding Total
General Obligation Current Interest Bonds:								
12/11/2002	8/1/2021	3.0 to 5.0	30,800,000		$ 1,885,000	$ -	$ -	$ 1,885,000
12/17/2002	8/1/2013	2.0 to 5.0	31,555,000		7,311,000	399,000	-	7,710,000
2/11/2004	2/1/2018	1.1 to 5.0	137,457,000		39,721,237	98,763	1,625,000	41,445,000
3/10/2004	3/1/2023	2.0 to 5.0	42,200,000		4,124,360	315,640	-	4,440,000
3/2/2005	3/1/2025	3.0 to 4.0	26,000,000		5,750,000	-	-	5,750,000
4/13/2005	3/1/2015	2.4 to 4.0	15,000,000		4,200,000	300,000	-	4,500,000
6/7/2005	3/1/2020	2.65 to 5.0	20,805,000		19,109,087	565,913	880,000	20,555,000
11/22/2005	7/15/2025	3.5 to 5.0	30,000,000		3,000,000	-	-	3,000,000
12/13/2005	7/15/2015	3.1 to 4.0	15,000,000		6,000,000	-	-	6,000,000
2/21/2007	7/15/2026	4.0 to 5.0	30,000,000		12,750,000	-	-	12,750,000
3/15/2007	7/15/2016	3.375 to 4.0	9,500,000		4,750,000	-	-	4,750,000
3/15/2007	7/15/2016	3.375 to 4.0	5,000,000		2,500,000	-	-	2,500,000
11/28/2007	7/15/2027	3.50 to 5.25	35,000,000		23,300,000	-	-	23,300,000
12/20/2007	7/15/2017	3.0 to 4.0	11,000,000		6,600,000	-	-	6,600,000
12/20/2007	7/15/2017	3.0 to 5.0	29,195,000		7,590,641	159,359	-	7,750,000
3/11/2009	3/1/2029	2.0 to 5.0	50,500,000		31,505,000	11,420,000	-	42,925,000
2/3/2010	8/15/2016	2.0 to 5.0	11,200,000		8,000,000	-	-	8,000,000
2/3/2010	8/15/2029	3.75 to 4.5	40,800,000		40,800,000	-	-	40,800,000
3/11/2010	8/15/2019	2.0 to 2.8	20,000,000		16,000,000	-	-	16,000,000
3/11/2010	8/15/2021	2.0 to 5.0	29,155,000		29,155,000	-	-	29,155,000
3/11/2010	8/15/2021	2.0 to 5.0	9,675,000		9,590,000	-	-	9,590,000
10/26/2010	8/15/2013	3	3,750,000		2,500,000	-	-	2,500,000
10/26/2010	8/15/2030	1.45 to 4.7	46,250,000		46,250,000	-	-	46,250,000
11/30/2010	8/15/2020	1.5 to 5.0	25,000,000		22,500,000	-	-	22,500,000
3/21/2012	8/15/2022	0.6 to 3.0	25,000,000		25,000,000	-	-	25,000,000
3/21/2012	8/15/2030	3.0 to 3.5	28,000,000		28,000,000	-	-	28,000,000
3/21/2012	8/15/2016	1.0 to 2.0	10,000,000		10,000,000	-	-	10,000,000
3/21/2012	8/15/2025	0.6 to 5.0	69,060,000		67,639,621	1,420,379	-	69,060,000
Total General Obligation Current Interest Bonds					**485,530,946**	**14,679,054**	**2,505,000**	**502,715,000**
General Obligation Capital Appreciation Bonds:								
12/01/1993	08/01/2013	N/A	17,987,640	32,625,000	3,750,000	-	-	3,750,000
Total Maturity Value					**3,750,000**	**-**	**-**	**3,750,000**
Less: Unaccreted Interest					208,435	-	-	208,435
Total General Obligation Capital Appreciation Bonds					**3,541,565**	**-**	**-**	**3,541,565**
Total General Obligation Bonds					**489,072,511**	**14,679,054**	**2,505,000**	**506,256,565**
Special Obligation Transportation Infrastructure Bonds:								
8/3/2010	6/15/2030	2.0 to 4.0	14,400,000		**-**	**13,260,000**	**-**	**13,260,000**
Total General Obligation and Special Obligation Bonds					**$ 489,072,511**	**$ 27,939,054**	**$ 2,505,000**	**$ 519,516,565**

At June 30, 2012, there remains $102,790,860 of authorized but unissued general obligation bonds.

Future general and special obligation debt service requirements at June 30, 2012 are as follows:

Fiscal Year	General Obligation Current Interest Bonds Principal	General Obligation Current Interest Bonds Interest	Special Obligation Current Interest Bonds Principal	Special Obligation Current Interest Bonds Interest	Capital Appreciation Bonds	Total
2013	$ 50,510,000	$ 18,092,776	$ 585,000	$ 405,063	$ 1,750,000	$ 71,342,839
2014	47,145,000	16,767,474	600,000	393,363	2,000,000	66,905,837
2015	40,320,000	14,992,749	610,000	381,363	-	56,304,112
2016	37,080,000	13,562,561	625,000	369,163	-	51,636,724
2017	33,855,000	12,312,799	635,000	356,663	-	47,159,462
2018-2022	143,965,000	44,305,185	3,440,000	1,521,411	-	193,231,596
2023-2027	104,090,000	20,201,756	4,005,000	962,124	-	129,258,880
2028-2032	45,750,000	3,360,713	2,760,000	216,788	-	52,087,501
Totals	$ 502,715,000	$ 143,596,013	$ 13,260,000	$ 4,605,938	$ 3,750,000	$ 667,926,951

Note 9: BOND REFUNDINGS

During the 2012 fiscal year, the State issued general obligation refunding bonds Series D in the amount of $69,060,000 to be used solely to refund portions of the State's general obligation bonds. Through advanced refunding, the 2004 Series B Bonds, 2005 Series A Bonds, 2005 Series D Bonds, 2007 Series A Bonds, and the 2007 Series D Bonds, with current basis of $70,280,000, will be refunded with proceeds from the 2012 Series D Bonds. The total refunded amount results in defeasance of debt and the liabilities have been removed from the State's financial statements. Total proceeds inclusive of premium for the 2012 Series D Bonds are $79,459,741, less $437,125 paid for refunding bond issuance costs, the remaining $79,022,616 was paid to the bond escrow agent. The State has taken advantage of lower interest rates and has decreased its aggregate debt service payments by $5,361,440 over the fourteen years ending June 30, 2026. The economic gain (the present value of the debt service savings) for the State through this transaction is $4,416,043, using a discount rate of 2.0%.

During fiscal years 2004, 2005, and 2010, the State defeased "in-substance" certain general obligation bonds by issuing new bonds and by placing the proceeds of these new bonds in an irrevocable trust. These trust assets are utilized to make all debt service payments on the defeased bonds. Accordingly, these trust assets and the liability for the defeased bonds are not included in the State's financial statements.

The total amount of defeased bonds remaining outstanding at June 30, 2012, is $96,230,000.

Note 10: BUDGET STABILIZATION ARRANGEMENTS

The 1993 Legislature amended action taken by the 1987 Legislature by repealing legislation creating the Budget Stabilization Trust Fund and created separate Budget Stabilization Reserves within both the General Fund and Transportation Fund. The Education Fund Budget Stabilization Reserve was created by the 1999 Legislature. These reserves were created to reduce the effects of annual variations in State revenues upon these funds by reserving certain surpluses of revenues.

The reserves balances consist of any budgetary basis surplus at the close of the fiscal year, provided the balance in each fund's Budget Stabilization Reserve shall not exceed an amount equal to five percent of its appropriations for the prior fiscal year plus any additional amounts as may be authorized by the Vermont Legislature. Use of the reserve is limited to offsetting the respective fund's deficit at the close of a fiscal year. For fiscal year 2012, the State fully funded the Budget Stabilization Reserves for the General, Transportation and Education Funds to their respective statutory maximum levels. The balances at June 30, 2012 are as

follows: $10,766,086 in the Transportation Fund's Budget Stabilization Reserve; $58,114,034 in the General Fund's Budget Stabilization Reserve; and $29,842,632 in the Education Fund's Budget Stabilization Reserve.

The State has previously reported its General Fund Budget Stabilization Reserve as reserved for budget stabilization in the governmental funds. With the implementation of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", the reserve does not meet the criteria to be classified as restricted or committed fund balance, and is reported as unassigned fund balance. This is a reporting change. There has been no change in the budget stabilization policy or the way in which the policy is being carried out. The Transportation Fund's Budget Stabilization Reserve and the Education Fund's Education Reserve are classified as committed for transportation and education, respectively.

Note 11: CONTINGENT AND LIMITED LIABILITIES

A. Contingent Liabilities

Vermont Economic Development Authority:
In 1974, the General Assembly created the Vermont Industrial Development Authority, renamed it the Vermont Economic Development Authority (VEDA) in 1993; and transferred the functions and the responsibilities of the Vermont Industrial Building Authority, Industrial Park Authority, and the Aid Board to it. Each of these original entities was relegated to a particular segment of commercial development. VEDA was established as a body corporate and politic and a public instrumentality of the State. It is governed by a twelve member board which consists of the Secretary of the Agency of Commerce and Community Development, the State Treasurer, the Secretary of Agriculture, Food and Markets, and nine public members appointed by the Governor with the advice and consent of the Senate. The full faith and credit of the State is pledged to support the activities of VEDA.

VEDA has the power, under its two insurance programs (the Mortgage Insurance Program – MIP and the Financial Access program – FAP), to insure various types of loans.

Under the MIP, VEDA has the power to insure up to $9 million of loans made by financial institutions for the purchase of land and construction of industrial building facilities in the State; to finance the purchase of machinery and equipment; and to provide working capital. The refinancing of existing loans is also possible under the act that created VEDA. As of June 30, 2012, the State's contingent liability for mortgage insurance contracts insured under its MIP is $1,484,000.

VEDA is authorized to reimburse lenders participating in its other insurance program (FAP) for losses incurred on loans that the lenders register with VEDA. The full faith and credit of the State is pledged in an amount equal to the reserve premium payment deposited by the participating lenders for each registered loan, with the aggregate amount of credit that may be pledged not to exceed $1 million at any one time. The State's contingent liability for the FAP at June 30, 2012 is $559,928. The State has no recorded payable to VEDA in the Governmental Funds for fiscal 2012.

Federal Grants:
The State receives federal grants that are subject to audit and review by federal grantor agencies that could result in expenditures being disallowed under the terms of the grants. However, it is believed that required reimbursements resulting from such disallowances would not be material.

B. Limited Liabilities

Vermont Economic Development Authority:
The State has a limited liability for the VEDA. VEDA may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 219. Annually, VEDA must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. To date, it has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

Vermont Municipal Bond Bank:
The State has a limited liability for the Vermont Municipal Bond Bank (Bank). The Bank is required to maintain debt service reserve funds. 24 V.S.A. Section 4675 requires the State to provide annual appropriations to restore the reserve funds to the required minimum balance, if necessary. It has never been necessary for the State to appropriate money to the reserve fund and it is not anticipated that it will need to make an appropriation in the future.

Vermont Housing Finance Agency:
The State has a limited liability for the Vermont Housing Finance Agency (Agency). The Agency may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 632. Annually, the Agency must report to the State the amount necessary to bring these reserve fund balances up to the minimum required by statute. This sum so certified may be appropriated by the State. It has not been necessary for the State to appropriate money to maintain the reserve fund and it is not anticipated that any appropriation will have to be made.

C. Contractual Liabilities

At June 30, 2012, the State of Vermont had long-term contracts outstanding of approximately $255,337,563 funded from federal sources, and $699,459,089 funded from all other funding sources. Contracts such as retainer contracts and contracts for commodities have not been included since the nature of these on-going contracts are tracked statewide to insure the best prices for supplies and some professional services. Following is a summary of contractual liabilities by agency, department or office at June 30, 2012.

Agency, Department, or Office	Total Contractual Obligation	Funded by Federal Sources	Funded by Other Sources
Agency of Administration	$ 162,780,855	$ 697,760	$ 162,083,095
Agency of Agriculture, Food & Markets	1,242,127	940,553	301,574
Agency of Commerce & Community Development	1,512,025	180,690	1,331,335
Agency of Human Services	140,667,232	27,720,964	112,946,268
Agency of Natural Resources	11,983,484	1,963,962	10,019,522
Agency of Transportation	404,335,042	202,951,839	201,383,203
Auditor of Account's Office	5,371,481	-	5,371,481
Criminal Justice Training Council	78,468	-	78,468
Department of Education	5,857,722	4,261,409	1,596,313
Department of Labor	3,138,599	3,033,174	105,425
Department of Liquor Control	163,162	-	163,162
Department of Public Safety	7,866,809	5,395,586	2,471,223
Enhanced 911 Board	6,767,755	-	6,767,755
Financial Regulation	8,969,987	401,704	8,568,283
Joint Fiscal Office	514,100	-	514,100
Judiciary	3,186,143	11,750	3,174,393
Legislative Council	6,225,997	5,710,354	515,643
Military Department	685,658	82,044	603,614
Office of the Attorney General	1,030,651	-	1,030,651
Public Service Board	334,255	-	334,255
Public Service Department	9,688,618	663,619	9,024,999
Secretary of State's Office	1,587,983	1,322,155	265,828
State Treasurer's Office	152,156,344	-	152,156,344
State's Attorneys and Sheriffs	36,501	-	36,501
Vermont Lottery Commission	18,615,654	-	18,615,654
Total	$ 954,796,652	$ 255,337,563	$ 699,459,089

The Agency of Transportation contracts are mainly infrastructure construction contracts of which 68% have end dates of June 30, 2013 or earlier. Of the Agency of Human Services contract liability balance, 20% is for contracts in the Department of Corrections, 44% is Department of Vermont Health Access, and 20% is Department of Mental Health. Of the contracts in the Agency of Administration, 70% have end dates during fiscal year 2013, and are primarily for human resource benefit administration services, information technology services, and capital construction. The State Treasurer's Office contracts are mostly investment management services for the retirement plans which consist of 97% of the total, with 27% having end dates during fiscal year 2013.

D. Grant Awards

The State of Vermont engages in many grant programs that benefit municipalities, non-profits, individuals and families statewide. During fiscal year 2012, the State awarded over 7,100 grants. The chart below shows the funding sources for these awards, the fiscal year 2012 payments issued to grantees on both these awards and prior year grant awards, and the remaining unexpended award amounts and June 30, 2012.

	Award Balances at June 30, 2011	Current Year Awards	Award Adjustments	Current Year Expended	Award Balances at June 30, 2012	Expended from Federal Funding Sources
Higher education/student assistance grants	$ 1,478,223	$ 91,312,214	$ (2,061)	$ (92,183,194)	$ 605,182	$ 675,675
ARRA grants	31,762,306	13,722,879	(5,544,207)	(26,859,381)	13,081,597	14,816,393
Mental health programs	5,515,556	114,178,718	(1,942,597)	(110,071,014)	7,680,663	2,752,798
Public health grants	8,062,008	32,282,000	-	(31,809,379)	8,534,629	20,951,991
Alcohol and drug abuse programs	2,786,412	27,723,823	(1,055,626)	(27,405,067)	2,049,542	15,232,107
Other education grants	13,238,330	110,136,333	(10,176,076)	(101,152,330)	12,046,257	86,089,123
Labor and training programs	3,366,409	2,923,651	-	(3,884,258)	2,405,802	2,557,094
Community/economic development grants	22,184,811	13,151,655	-	(18,345,465)	16,991,001	14,287,252
Vermont Crime Victims grants	886,539	2,585,903	(24,019)	(1,698,257)	1,750,166	1,698,257
Transportation grants	108,190,883	219,865,320	(3,989,420)	(147,125,657)	176,941,126	102,468,187
Aged and independent living programs	6,033,989	24,564,847	(174,336)	(25,078,122)	5,346,378	14,708,272
Public safety grants	5,806,572	3,783,560	(2,182,239)	(4,715,590)	2,692,303	4,696,821
Human services grants	4,919,952	44,904,604	(250,374)	(36,719,541)	12,854,641	22,042,017
All other grants	34,893,115	107,999,123	(2,607,829)	(95,332,755)	44,951,654	17,148,211
	$ 249,125,105	$ 809,134,630	$ (27,948,784)	$ (722,380,010)	$ 307,930,941	$ 320,124,198

A partial summary of the 2012 grant activity is provided below.

During fiscal year 2012, over 378 federal ARRA grants were awarded in the areas of general education, loan funds, training, tourism, Vermont economic development and public safety programs.

During fiscal year 2012, programs under mental health for adults and children were awarded 104 grants. Programs managed under mental health are youth in transition, success beyond six, children's upstream and Vermont child trauma.

Public health grants are awarded for prevention of diseases, public awareness programs like tobacco cessation, HIV prevention and family planning, vaccinations and inspection programs. During fiscal year 2012, there were 123 grants awarded.

During fiscal year 2012 over 166 grants were awarded by the State to alcohol and drug abuse programs which includes DUI enforcement grants.

Other Educational grants have been awarded for school improvements, Title I, II, III and V as well as head start and technology advances. During fiscal year 2012, 1,009 education grants were awarded.

Under labor and training programs, 63 grants have been awarded in fiscal year 2012 to outreach programs, individuals with disabilities, work training programs, workforce education, career exploration and apprenticeship programs.

During fiscal year 2012, 212 grant awards for community and economic development provided funding for energy savings programs and feasibility studies utilizing wind power, solar panels and geothermal projects.

During fiscal year 2012, the United States Department of Justice awarded the Vermont Crime Victims 46 federal grants for crime victim assistance, and domestic and family violence services' programs.

Transportation grants mainly consists of town highway projects like bridge replacement and rehabilitation, culvert repair and state aid to towns; state and FTA funded projects; FEMA emergency projects, state paving projects, enhancement projects and various roadway projects. In fiscal year 2012, 919 grants were awarded.

During fiscal year 2012, 147 grants were awarded to the aged and independent living programs. The majority of the grants were for training, work based learning and supported education, abuse prevention, caregiver programs and grants for home delivered meals.

Public Safety grants are made up of safety programs like homeland security, motorcycle safety, bicycle safety, traffic safety, seatbelt safety and boating safety. During fiscal year 2012, 294 safety grants were awarded.

During fiscal year 2012, 337 human services grants were awarded from the Department of Children and Families for child care programs, economic and family services, economic opportunities and weatherization programs.

Note 12: LITIGATION

The State, its agencies, officials and employees are defendants in numerous lawsuits involving funding for social welfare programs, civil rights actions, public education funding, breach of contract and negligence. The Attorney General is unable to predict the ultimate outcome of the majority of these suits, some of which seek recovery of monetary damages of unspecified amounts. However, based on information provided by the Attorney General, any ultimate liability to the State resulting from these lawsuits that is not covered by various insurance policies, would not materially affect the State's overall financial condition.

Note 13: JOINT VENTURE

The State of Vermont has entered into a Tri-State Lotto Compact with the States of New Hampshire and Maine for the purpose of operating a tri-state lottery. This lottery does not replace Vermont's individual lottery games but is run in addition to the existing games. The Compact provided for the creation of a Tri-State Lottery Commission (Commission) which is an interstate body, both corporate and politic, serving as a common agent for the party states and representing them both collectively and individually in the exercise of its powers and duties. The Commission is composed of one member from each of the party states. Each State's lottery appoints one of its members to this position. The three-member Commission annually elects a chairperson from among its members. The Commission is empowered to promulgate rules and regulations governing the establishment and to administer the operation of the Tri-State Lotto. Tri-State Lotto tickets are sold in each of the party states and processed in a central location as determined by the Commission. Fifty percent of the gross sales from each State are aggregated in a common prize pool, and operating costs are charged proportionally to each of the party states. The remaining revenues generated within each State remain in that particular State.

At June 30, 2012, the Commission had total assets of $68,782,197, and total liabilities of $55,170,776, representing decreases of $5.1 million and $6.2 million respectively, compared to June 30, 2011 figures. For the fiscal year ended June 30, 2012, the Commission had operating revenues of $61,311,844, a decrease of $6.8 million; interest income of $42,648, a decrease of $5,370; commissions, fees, and bonus expenses of $6,116,586, a decrease of $676,185; prize awards of $30,862,047 a decrease of $3.4 million; and other

operating expenses of $4,155,077 a decrease of $167,642; all activity as compared to the fiscal year ended June 30, 2011.

During fiscal year 2012, the Commission made operating transfers to member states of $20,220,782 versus $22,826,190 during fiscal year 2011. This total included $3,210,805 transferred to Vermont during the fiscal year, a decrease of $420,533 as compared to fiscal year 2011.

Additional information regarding the Tri-State Lotto Commission may be obtained by contacting the Vermont Lottery Commission, 1311 US Route 302-Berlin, Suite 100, Barre, Vermont 05641.

Note 14: RISK MANAGEMENT

A. Workers' Compensation and Risk Management

The Agency of Administration Financial Operations Division of the Department of Buildings and General Services oversees the Workers' Compensation and Risk Management programs, which administers all insurance programs for State government with the exception of the health and life insurance plans listed below. State policy is to minimize the purchase of commercial insurance by either self-funding or otherwise retaining the risk when it makes sense to do so. The programs set aside assets and pay claims utilizing the following three Internal Service Funds:

Workers' Compensation Self Insurance Fund
State Liability Self Insurance Fund
Risk Management – All Other Fund (used for the purchase of commercial insurance)

The Workers' Compensation Fund covers all State employees who are injured on the job, pursuant to State statute. Certain quasi-governmental entities may also request coverage through this program. The State has unlimited exposure to liability and has not purchased any stop-loss insurance to limit this exposure. All claims are processed by Workers' Compensation personnel and are audited annually by an outside claims adjuster to ensure that the claims-based statistical information used to calculate the State's workers' compensation exposure is reliable. Liability is reviewed annually by an outside actuary, including a review of incurred but not reported claims (IBNR). The contribution required to fully fund losses is calculated annually by an outside actuary. Allocation to each participating entity is done by Risk Management personnel utilizing departmental exposure and experience factors.

The Liability Insurance Fund covers general and employment practices liability, discrimination, and auto liability risk. The coverage is comparable to standard private commercial policies. It offers coverage to the same group of participants as those covered by the workers' compensation program described above. The State's exposure to tort risk in Vermont is subject to the doctrine of sovereign immunity and is governed by the Vermont Tort Claims Act, 12 V.S.A. §5601. Exposure outside of Vermont and to federal suit and other non-tort suit is potentially unlimited. The State is self-insured (SIR) for the first $500,000 of exposure and has purchased excess commercial insurance to cover the additional per-occurrence exposure in amounts of up to $1,500,000 ($2,000,000 total) in Vermont and $10,000,000 in excess of the $500,000 SIR for claims that are not subject to the Vermont Tort Claims Act. Claims are processed by Risk Management personnel (prior to 2006, claims were processed by a third-party administrator), and are audited annually by an outside claims adjuster to ensure that the claims-based statistical information used to calculate the State's liability exposure is reliable. This liability is reviewed annually by an outside actuary, including a review of incurred but not reported claims (IBNR). The contribution required to fully fund losses is calculated annually by an outside actuary. Allocation to each participating entity is done by Risk Management personnel utilizing departmental exposure and experience factors.

The Risk-Management – All Other Fund provides insurance coverage through purchased commercial policies for risks not covered in the above funds or which are self-assumed. This coverage provides insurance for State-owned real property, bonds for various categories of employees, errors and omissions coverage for judges, and various other miscellaneous coverages. The State's liability exposure is limited to the amount of the various deductibles associated with the respective policies and potentially for any claims in excess of the

purchased limits.. Premium charges from the various insurers are either assessed directly against the entity requiring the coverage or apportioned among those entities receiving the benefits of the coverage. Risk Management also assesses a surcharge of up to 5% of the premium to cover administrative costs. Entities eligible for coverage are the same as those listed above for the other funds.

With the exception of significant reductions in flood coverage (as a result in part following the claims generated from Tropical Storm Irene), there have been no significant reductions in insurance coverage from the prior year. Insurance settlements have never exceeded the coverage disclosed above.

In addition to the three internal service funds above, effective July 1, 2007, the General Assembly established the Sarcoidosis Benefit Trust Fund (a program in the Special Fund) to cover specific claims arising from an outbreak of Sarcoidosis at the impaired State office building in Bennington, Vermont (Act 53 of 2007). Claims are reviewed and processed under rules established that mirror the rules for the Workers' Compensation Fund claims. Funding was established as a special fund and not a proprietary fund as funding will only be available by the General Assembly as claims arise and funding needs are determined. The Fund is managed by Workers' Compensation personnel. There are three accepted ACT 53 claims; one was settled and closed in fiscal year 2011, one in fiscal year 2012, and the third is anticipated to settle in fiscal year 2013. In fiscal year 2012 and 2011 respectively, approved claims paid were $186,924 and $473,239. Total payments issued from fiscal year 2008 through fiscal year 2012 are $1,380,726.

B. Health Care Insurance, Dental Assistance Plan, Life Insurance, Employee Assistance Program, and Long Term Disability Funds for State Employee Benefit Plans

The Employee Benefits Division of the Department of Human Resources maintains medical/behavioral health insurance, dental assistance plan, life insurance, employee assistance program, and long term disability program funds for the benefit of current State employees, retired former employees, and legislators as well as employees and certain former employees of outside "special" groups which have been declared eligible to participate by statute or labor agreement. Not all of these named groups may participate in every plan. Detailed eligibility information for each group listed above can be found in the plan summaries that follow. Temporary and contractual employees are not eligible to participate in these plans.

Enrolled plan participants share in the premium cost of the medical/behavioral health plan. Prescription drug coverage is included in the medical/behavioral health plan. Premium rate setting is performed by an outside actuary in conjunction with the Administrative Services Division of the Department of Human Resources. The State's liability for incurred but not yet reported (IBNR) claims is calculated by the actuary and is based on the State's prior claims experience. Special Groups covered under the health insurance plan remit premium to the State for their members. Retirees covered under the health plan pay premium through the Retirement Division of the Treasurer's Office.

The medical insurance plan offerings have been in place since 2001 and include four plan options. TotalChoice and HealthGuard options are "preferred provider organization" indemnity-type plans. The SafetyNet option is a high-deductible catastrophic plan. The SelectCare plan is a "point of service" plan, similar to an open-ended HMO. Members may opt out of the SelectCare network but must meet a deductible and coinsurance to do so. Benefits are administered under a managed care arrangement. All four health plan options are self-insured by the State. The State employs a third party administrator to provide administrative services, including claims payment. To limit the State's large claims exposure, the State has purchased a stop loss insurance policy.

The self-funded State of Vermont Employee Dental Assistance Plan provides up to $1,000 regular dental benefits annually and up to $1,750 lifetime benefit for orthodontic expenses for each participant. These plan caps effectively limit the State's exposure to catastrophic loss so no stop-loss insurance has been purchased. The plan operates with a schedule of benefits which is bargained under the labor contract and has not been updated since 2001. The Administrative Services Division within the Department of Human Resources sets the premium rates, in consultation with the dental plan administrator's actuary. Participants include all groups

mentioned in paragraph 1 above except for retirees. The State pays 100% of the premium for State employee participants and their covered dependents. Special Groups covered under the dental assistance plan remit premium to the State for their members.

The State of Vermont Employee Life Insurance Program consists of a Term-Life benefit and an Accidental Death and Dismemberment (AD&D) benefit, each of which provides coverage equal to two times a participant's base salary rounded down to the nearest $100. Retirees who work for the State for at least twenty years and who have life insurance at the time of retirement receive a retiree life benefit of $10,000 with no AD&D coverage. Both Life and AD&D are fully insured benefits. The State purchases insurance under which the carrier retains liability for all claims. The Administrative Services Division calculates the premium rates charged to departments for both of these programs. The State pays 75% of active employees' premiums and 100% of retirees' premium costs. Only current State employees, retired State employees, and current active employees of outside special groups are eligible to participate. Special Groups covered under the life insurance plan remit premium to the State for their members.

A Flexible Spending Account (FSA) Program is available to active State employees only. This account allows pre-tax salary deductions to be used to reimburse eligible medical and dependent care expenses. The FSA Program administrator is paid a monthly fee based on the number of enrolled employees. No claims costs are incurred under this plan by the State. The State pays 100% of the fee for this plan.

An Employee Assistance Program (EAP) is provided for the benefit of State employees and members of their immediate household. This program assists employees and family members in addressing problems that impact their lives including stress, family, financial, substance abuse, and other issues. Active State employees and their families are eligible for this program. The EAP Program Manager is paid a monthly fee based on the number of employees who work for the State. The plan provides up to 5 counseling sessions per case through a network of providers. No claims costs, or claims liabilities are incurred under this plan by the State. The State pays 100% of the fee for this plan.

A Long Term Disability Program is provided as an income replacement benefit for certain State employees who become disabled due to non-occupational injury or illness, and the disability is expected to be long term or permanent. The plan provides financial protection for State employees and their families by continuing a portion of their income while disabled. Only State employees who are not eligible to be represented by the employees' unions (the Vermont State Employees Association and the Vermont Troopers Association) are eligible for this benefit. Employees must be employed for one (1) year before coverage is effective. This plan is fully insured through an insurance company, so there is no liability to the State for claims. The premium is based on a percentage of the salaries of eligible participants. The State issues payment to the insurance company for the premium and the cost is then recovered from eligible employees in the following manner: Those eligible employees who are covered by a leave plan forfeit one day of compensated absence leave per year. Those eligible employees who are not covered by a leave plan have a one-time 0.2% salary reduction in their next cost-of-living increase following eligibility. During 2012, departments were given a 17 pay-period rate holiday and normal premium recovery from employees was not processed.

Presented on the following page is a table displaying three years' changes in the respective funds' claims liability amounts.

Fund and Fiscal Year	Liability at Beginning of the Fiscal Year	Current FY Claims and Changes in Estimates	Current FY Claims Payments	Liability at End of the Fiscal Year
Workers' Compensation Fund				
2010	$ 20,752,711	$ 9,958,945	$ 6,374,876	$ 24,336,780
2011	24,336,780	5,850,317	6,983,306	23,203,791
2012	23,203,791	10,095,099	7,235,542	26,063,348
State Liability Insurance Fund				
2010	6,281,814	1,983,164	1,347,076	6,917,902
2011	6,917,902	400,884	891,905	6,426,881
2012	6,426,881	4,015,135	3,274,882	7,167,134
Medical Insurance Fund				
2010	10,838,470	109,027,749	108,961,398	10,904,821
2011	10,904,821	116,845,994	115,834,579	11,916,236
2012	11,916,236	125,624,972	124,857,795	12,683,413
Dental Insurance Fund				
2010	276,407	4,972,853	4,974,032	275,228
2011	275,228	4,972,179	5,050,658	196,749
2012	196,749	4,932,917	4,915,827	213,839

Note 15: DEFICIT FUND BALANCES AND NET ASSETS

Business-type Proprietary Funds

Federal Surplus Property Fund ended fiscal year 2012 with both a deficit unrestricted net asset and a total net asset balance of $498,247. The program continues to suffer from a lack of inventory for sale from the federal government that could be in turn be retrieved for sale by the State. In 2012, the fund received additional capital from the General Fund in the amount of $250,000. The plan going forward is to reduce the deficit by actively retrieving goods for sale to increase program sales in 2013. Given the program is popular with local governments further recapitalization from the General Fund would be required if sales continue to keep the program in a deficit position.

Vermont Life Magazine Fund ended fiscal year 2012 with a deficit unrestricted net asset balance of $1,351,675 and a deficit total net asset balance of $1,349,335. Vermont Life Enterprise has experienced operating losses in 17 of the past 28 years. In mid-fiscal 2012, the Vermont Agency of Commerce & Community Development hired a publisher with business turn-around experience. The publisher advised the Agency in February of his intent to work with staff and the Vermont Life Advisory Board to balance Vermont Life Enterprise's operating budget by the end of fiscal 2015. In May, the Legislature gave Vermont Life Enterprise authority to generate revenues from additional sources. Vermont Life Enterprise's consolidated loss in fiscal 2012 was $36,000 less than in fiscal 2011, even after taking $67,000 in write-offs for several years of unsold product inventory and advertising bad debt. The fiscal 2012 consolidated loss increased the deficit total net asset balance to $1,349,335. The Vermont Life Advisory Board discussed a wide-range of budget-balancing and new business initiatives at summer and autumn meetings. On October 1, the publisher submitted a document to the Secretary of Commerce & Community Development outlining Vermont Life's strategies to balance the budget by the end of fiscal 2015. On October 16, the publisher and editor translated these strategies into two dozen specific projects, some of which are starting immediately.

Internal Service Funds

Single Audit Revolving Fund ended fiscal year 2012 with both a deficit unrestricted net asset and a total net asset balance of $460,242. In part, the deficit can be attributed to fiscal year 2009 budget rescissions resulting in a transfer to the General Fund of $196,000. The remaining deficit is due to estimated billing costs that were understated in fiscal year 2012, but should be recovered through normal billing for services in fiscal year 2013 and 2014.

Communications & Information Technology Fund ended fiscal year 2012 with a deficit unrestricted net asset balance of $1,139,023. The fund is made up of three different programs. The mainframe program has a large surplus that was reduced during fiscal year 2012 by $730,000. The allocation program had an increase in its deficit; while telecom program had a small increase in its surplus. The programs in total resulted in a deficit balance. Fiscal year 2013 should continue to see a reduction in the surplus from the mainframe program due to rate holidays, while the allocation program should see a reduction of its deficit through increased efficiencies.

Fleet Fund ended fiscal year 2012 with a deficit unrestricted net asset balance of $4,876,821. The unrestricted deficit balance of $4,876,821 is the result of the rolling annual replacement schedule for vehicles that are financed through the inter-fund payables. More importantly, the total net asset is positive and is expected to remain in that position. A rate holiday or a possible payback of unused mileage charges is possible in 2013 to help reduce the overall program fund surplus $1,305,149.

Copy Center Fund ended fiscal year 2012 with a deficit unrestricted net asset balance of $3,073,735 and a deficit total net asset balance of $1,588,265. The total fund deficit was reduced in 2012 due to increased efficiencies in the Print Shop program. The Copy Center anticipates an increase in business activity in 2013 and beyond with the goal of saving the State resources as a result of new printing mandates being implemented by the Administration directing more businesses to utilize print shop services. The fund deficit should be recovered through normal operations.

Postage Fund ended fiscal year 2012 with both a deficit unrestricted net asset and a total net asset of $2,046,307. The Postage fund continues to see a loss from year to year; the loss for fiscal year 2012 was in part due to the increase in the State's footprint shaped by Tropical Storm Irene. It is the intention that the current fund deficit will be recovered through business operations although a General Fund subsidy may be required to cover the increasing cost of internal mail delivery and bomb screening.

Facilities Operations Fund ended fiscal year 2012 with a deficit unrestricted net asset balance of $1,618,738 and a deficit total net asset balance of $2,859,538. Fiscal year 2012 was a very dramatic year for this program because of Tropical Storm Irene. Most of the Waterbury State Office Complex was inoperable for 10 months of the year. This meant reduced expenses coupled with reduced billings, as well as a loss on the disposal of capital assets. Capital lease agreements on disposed capital assets runs until September, 2018. All in all the fund came out $375,000 short for the year. If the deficit cannot be recovered through normal operations, the fund will seek financial support from the General Fund.

Property Management Fund ended fiscal year 2012 with a deficit unrestricted net asset balance of $21,805,018 and a deficit total net asset balance of $21,800,835. The fund deficit continues to expand due to the 20-year bonding of the three buildings in the program and the 50-year recovery period of the bond principle. The fund will begin to recover after the 20-year bond period has ended. Two of the three buildings have completed their 20 year bond period. It is anticipated that the fund will begin to recover soon afterwards. Another reason for the increasing deficit is that the work the leasing program does to secure leased space does not get added into the cost of the lease. Adding a surcharge to leased space billing to recover these costs is currently under consideration.

Workers' Compensation Fund ended fiscal year 2012 with both a deficit unrestricted net asset and a total net asset of $4,635,079. The rates for fiscal year 2013 include an additional $1 million to help alleviate part of this deficit fund balance. In 2014, the fund deficit will be addressed in the rate setting process for departments and agencies. The workers' compensation program has an aggressive medical case management team that is

striving to return injured employees back to work at the earliest possible signs of recovery. This goal should result in an improvement in the claims expense going forward.

Human Resources Fund ended fiscal year with both a deficit unrestricted net asset and total net assets of $306,625. The fiscal year results reflect startup considerations with creating a new program such as rate structure and program services. The program grew from its original concept as new service needs were discovered during the year. For instance, part of the current year deficit includes a nearly $200,000 compensated absence liability for the inherited positions that was not considered in the calculation of the 2012 rate. Planned rate increases and program efficiencies will be used to offset the deficit.

Governmental Fund Types

Transportation Infrastructure Bond Projects Fund ended the year with a negative unassigned fund balance. Spending authority for this fund is done through appropriations, while the bonds to pay for these expenses are not issued until the next fiscal year.

Special Fund ended the year with a negative unassigned fund balance of $1,769,243. This is due to payment of expenses for Tropical Storm Irene, while reimbursements are expected in later fiscal years.

Note 16: CHANGES IN LONG-TERM LIABILITIES

Governmental activities long-term liabilities are generally liquidated by payments from the governmental and internal service funds' programs, including all major governmental fund types except for the Education Fund. Bonds payable are liquidated by transfers of resources from the General, Transportation, Special and Federal Funds. Other liabilities include the unamortized premium on the sale of bonds. During the year ended June 30, 2012, the following changes occurred in the long-term liabilities:

	Total Liability July 1, 2011	Additions	Reductions	Total Liability June 30, 2012	Amounts due within one year
Governmental activities					
Bonds payable	$ 509,575,920	$ 132,340,645	$ 122,400,000	$ 519,516,565	$ 52,845,000
Capital leases payable	4,340,005	35,823	756,520	3,619,308	506,801
Compensated absences	32,788,551	32,151,976	31,595,605	33,344,922	21,453,846
Claims and judgments	41,743,657	144,668,123	140,284,046	46,127,734	14,287,534
Contingent liabilities	7,000,000	-	-	7,000,000	-
Net pension obligations	246,093,581	81,538,006	96,454,444	231,177,143	-
Net other postemployment obligations	369,703,883	117,597,743	27,652,189	459,649,437	-
Other liabilities	15,615,746	12,884,056	3,319,916	25,179,886	2,312,432
Pollution remediation obligations	5,209,831	2,247,212	1,814,962	5,642,081	516,604
Total governmental activities long-term liabilities	$ 1,232,071,174	$ 523,463,584	$ 424,277,682	$ 1,331,257,076	$ 91,922,217

Governmental activities bonds payable additions of $132,340,645 include $63,000,000 in general obligation bonds, $69,060,000 in refunding bonds, and $280,645 of accretions on capital appreciation bonds.

The reduction in capital leases payable include an amendment to the lease for energy efficiency projects for State owned buildings. The lease obligation was reduced to $190,407 to reflect the cost of equipment that was not completed under the terms of the original agreement.

Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the United States Environmental Protection Agency (USEPA) expends resources from the superfund trust for cleanup. Currently, there are five sites in Vermont in various stages of cleanup, from initial assessment to cleanup activities. The Pollution Remediation Obligation (PRO) at June 30,2012 is $5,062,272, which includes a net reduction of $51,708 from last year. These liabilities were measured using the actual contract cost, where no changes in cost are expected, or a method that is materially close to the expected cash flow technique. Liability estimates are subject to change due to cost increases or reductions, or changes in technology or applicable laws or regulations governing the remediation efforts. The State does not anticipate recovering reimbursements from the parties who caused the pollution.

The State has identified another site for cleanup for which estimated costs (liabilities) have not been recognized. The site, which is a mine, has been identified as having significant erosion. Currently, costs for its remediation and long term maintenance have not been determined at this time as the evaluation processes have just begun. The State is in the process of determining who is responsible and if there is a potential to recover cleanup funds from former owners. The case has been referred to the USEPA for consideration as a Superfund site. The PRO is $71,207 as of June 30, 2012.

The State's Waterbury Office Complex was flooded during Tropical Storm Irene on August 28, 2011. Asbestos removal in order to prevent public exposure has been identified as part of the building demolition and possible renovation efforts. In addition, two other State buildings are undergoing similar asbestos abatement measures during their renovations. The pollution remediation obligation is $508,602 as of June 30, 2012.

	Total Liability July 1, 2011	Additions	Reductions	Total Liability June 30, 2012	Amounts due within one year
Business-type activities					
Unemployment compensation trust fund federal account loan	$ 77,731,861	$ -	$ -	$ 77,731,861	$ 20,000,000
Compensated absences	336,175	270,299	270,854	335,620	189,214
Lottery prize awards payable	4,513,818	64,409,376	63,447,447	5,475,747	4,040,646
Total business-type activities long term liabilities	$ 82,581,854	$ 64,679,675	$ 63,718,301	$ 83,543,228	$ 24,229,860
Fiduciary					
Compensated absences	$ 14,620	$ 16,635	$ 12,988	$ 18,267	$ 10,355
Total fiduciary long-term liabilities	$ 14,620	$ 16,635	$ 12,988	$ 18,267	$ 10,355

During the fiscal year, the Unemployment Compensation Trust Fund drew advances from the U. S. Treasury's Unemployment Trust Fund (UTF), The American Recovery and Reinvestment Act of 2009 provided that these State advances be interest free through December 31, 2010. Subsequent to that date, accrued interest is payable annually each September, from the General Fund. Principal payments are also due annually each September. The amount of the payment depends on the health of the trust fund. A payment of $20,000,000 was made in September, 2012.

Note 17: ACCOUNTING CHANGES

Vermont Student Assistance Corporation (a Component Unit of the State of Vermont)

In March, 2012, GASB issued Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities; and recognizes as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities.

VSAC implemented this new statement during the year ended June 30, 2012, resulting in a restatement of the Statement of Net Position as of June 30, 2011, and the Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the year then ended. The effects of this change on the statements were as follows:

	Net Assets as of June 30, 2011
As originally reported	$ 154,125,000
Restatements	
Alternative loan fee revenue	3,568,000
Lender paid federal origination/default fees	(2,899,000)
Bond issuance costs	(8,436,000)
Restated amount	$ 146,358,000

Vermont Telecommunications Authority (a Component Unit of the State of Vermont)

Management of the authority identified an overstatement of accounts receivable due from Vermont Telecommunications Corporation that requires restatement of its audited financial statements for the year ended June 30, 2011. The overstatement of accounts receivable resulted from excess amounts of accounts receivable carried forward from the fiscal year ended June 30, 2011.

There is no effect on the change in net assets for the year ended June 30, 2012 , as a result of the restatement. The restatement decreased total assets as of June 30, 2011, by $4,000 and decreased net assets as of June 30, 2011 by $4,000.

Note 18: RESTRICTED NET ASSETS – Discretely Presented Component Units

Restricted net assets are those portions of total net assets that are not available for appropriation for expenditure or that are legally segregated for a specific future use. Restricted net assets at June 30, 2012 are as follows:

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major Component Units
Restricted for					
Endowments					
Expendable	$ 218,000	$ 260,777,000	$ 6,191,758	$ -	$ -
Nonexpendable	3,285,000	97,166,000	14,446,789	-	-
Grants and scholarships	1,272,000	-	-	-	-
Bond resolution	109,109,000	-	-	81,300,000	-
Interest rate subsidies	-	-	-	-	2,731,958
Investment - Vermont Capital Partners, LP	-	-	-	-	14,537
Investment - Vermont Seed Capital, LP	-	-	-	-	4,040,000
Collateral for commercial paper program	-	-	-	-	20,046,208
Infrastructure investments	-	-	-	-	5,022,629
Project and program commitments	-	-	-	-	33,183,423
Loans receivable [1]	-	-	-	-	164,416,423
Total Component Units Restricted Net Assets	$ 113,884,000	$ 357,943,000	$ 20,638,547	$ 81,300,000	$ 229,455,178

[1] Loans receivable for the Vermont Housing and Conservation Board include federally restricted funds.

Note 19: SUBSEQUENT EVENTS

Debt Issuances

2012 Series A - Special Obligation Transportation Infrastructure Bonds

The State issued $10,820,000 of 2012 Series A - Special Obligation Transportation Infrastructure Bonds, dated August 9, 2012. The interest rates on these bonds vary from 2% to 3%, and payment to the bondholders is scheduled to commence on December 15, 2012, and terminate on June 15, 2032.

These bonds are not general obligations of the State, and are not secured by the full faith and credit of the State but are payable only from Pledged Funds held in Trust by the Peoples United Bank (Trustee) in accordance with the terms of a Trust Agreement between the State and Peoples United Bank dated July 1, 2010, as amended and supplemented, and a Second Supplemental Agreement dated August 1, 2012. Funding sources for the Pledged Funds are funds to be received from Motor Fuel Infrastructure Assessments as authorized by Act 50 of the 2009 legislative session.

The proceeds from this issue are expected to be expended for transportation infrastructure purposes, namely the rehabilitation or replacement of ten State bridges and four town highway bridges, reconstruction of two roadways, and rehabilitation and reconstruction of two interstate bridges.

2012 Series E (Vermont Citizens Bonds) – General Obligation Bonds and 2012 Series F – General Obligation Bonds

The State issued $26,765,000 of 2012 Series E - General Obligation Bonds, dated October 11, 2012. The bonds are general obligations of the State of Vermont, and the full faith and credit of the State are pledged to the payment of principle and interest on these bonds. The interest rates on these bonds vary from 2% to 5%, and payment to bondholders is scheduled to commence on August 15, 2013, and terminate on August 15, 2024.

The State issued $66,420,000 of Series F - General Obligation Bonds, dated October 1, 2012. The bonds are general obligations of the State of Vermont, and the full faith and credit of the State are pledged to the payment of principle and interest on these bonds. The interest rates on these bonds vary from 2% to 5%, and payment to bondholders is scheduled to commence on August 15, 2013, and terminate on August 15, 2032.

The issuance of these bonds is authorized by capital acts from legislative sessions: Act 161 (2010), Act 43 (2009), and Act 40 (2011) as amended by Act 104 (2012). The proceeds are to be used for various purposes including capital projects, major maintenance at the State buildings, Vermont State Colleges, Vermont school construction, cellular and broadband telecommunications improvements, various projects in the areas of human services, natural resources, public safety, agriculture, various grant purposes, and other projects.

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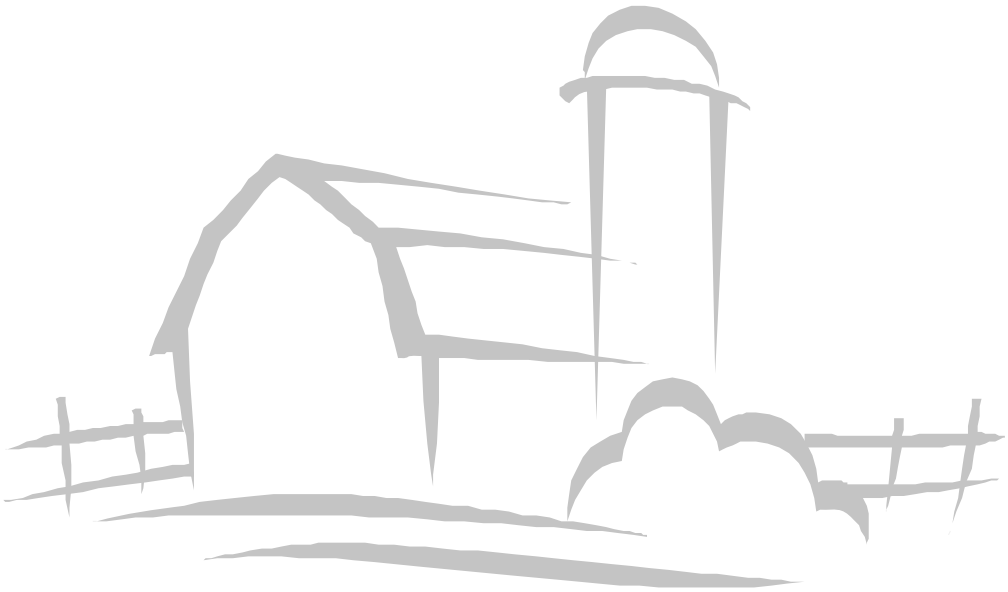

Vermont

Required Supplementary Information

(Unaudited)

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
SCHEDULE OF FUNDING PROGRESS
(dollar amounts expressed in thousands)
(Unaudited)

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
VSRS						
2012	$ 1,400,779	$ 1,802,604	$ 401,825	77.71%	$ 385,526	104.23%
2011	1,348,763	1,695,301	346,538	79.56%	398,264	87.01%
2010	1,265,404	1,559,324	293,920	81.15%	393,829	74.63%
2009	1,217,638	1,544,144	326,506	78.86%	404,516	80.72%
2008	1,377,101	1,464,202	87,101	94.05%	404,938	21.51%
2007	1,318,687	1,307,643	(11,044)	100.84%	386,917	-2.85%
STRS						
2012	$ 1,517,410	$ 2,462,913	$ 945,503	61.61%	$ 561,179	168.49%
2011	1,486,698	2,331,806	845,108	63.76%	547,748	154.29%
2010	1,410,368	2,122,191	711,823	66.46%	562,150	126.63%
2009	1,374,079	2,101,838	727,759	65.38%	561,588	129.59%
2008	1,605,462	1,984,967	379,505	80.88%	535,807	70.83%
2007	1,541,860	1,816,650	274,790	84.87%	515,573	53.30%
MERS						
2012	$ 417,443	$ 488,572	$ 71,129	85.44%	$ 215,075	33.07%
2011	402,550	436,229	33,679	92.28%	205,589	16.38%
2010	376,153	409,022	32,869	91.96%	202,405	16.24%
2009	331,407	366,973	35,566	90.31%	191,521	18.57%
2008	348,740	343,685	(5,055)	101.47%	175,894	-2.87%
2007	325,774	309,853	(15,921)	105.14%	162,321	-9.81%

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(dollar amounts expressed in thousands)
(Unaudited)

Retirement System	Year Ended 6/30	Annual Required Contribution	Percentage Contributed
Vermont State Retirement System	2012[1]	$ 28,748	140.19%
	2011	44,491	84.45%
	2010	37,418	84.10%
	2009	28,998	86.68%
	2008	42,375	92.49%
	2007	40,190	97.78%
State Teachers' Retirement System	2012	$ 51,242	109.58%
	2011	48,233	104.22%
	2010	41,503	101.01%
	2009	37,077	100.74%
	2008	40,749	100.51%
	2007	38,200	100.77%
Vermont Municipal Employees' Retirement System	2012	$ 11,532	100.00%
	2011	11,117	100.00%
	2010	10,593	100.00%
	2009	-	N/A
	2008	-	N/A
	2007	8,546	100.00%

[1] Fiscal year 2012 the annual required contribution had been adjusted by $5 million due to the provisions contained in Act 63 of the 2011 legislative session, and by $5.4 million to correct prior year contribution true-ups that were erroneously categorized as expenses.

N/A - not applicable.
For fiscal years 2009 and 2008, the Vermont Municipal Employees' Retirement System required no employer contributions for the defined benefit pension plan. Instead, employer contributions were directed to the OPEB defined contribution plan's Vermont Municipal Employees' Health Benefit Fund.

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplemental information.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF FUNDING PROGRESS
(dollar amounts expressed in thousands)
(Unaudited)

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
State Employees' Postemployment Benefit Trust Fund [1]						
2012	$ 13,379	$ 1,011,783	$ 998,404	1.32%	$ 406,929	245.35%
2011	11,216	1,009,792	998,576	1.11%	420,321	237.57%
2010	7,897	925,183	917,286	0.85%	414,936	221.07%
2009	5,749	780,748	774,999	0.74%	426,827	181.57%
2008	3,364	754,690	751,326	0.45%	404,937	185.54%
State Teachers Retiree Medical Benefit Plan [2]						
2012	$ -	$ 827,180	$ 827,180	0.00%	$ 561,026	147.44%
2011	-	780,032	780,032	0.00%	547,748	142.41%
2010	-	703,751	703,751	0.00%	560,763	125.50%
2009	-	872,236	872,236	0.00%	561,588	155.32%
2008	-	863,555	863,555	0.00%	535,807	161.17%

[1] Based on a discount rate of 4.00% for 2008, and 4.25% for 2009 - 2012.

[2] Based on a discount rate of 3.75% prior to 2008, and 4.00% for 2008 - 2012.

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BEEFIT PLANS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(dollar amounts expressed in thousands)
(Unaudited)

Retirement System	Year Ended 6/30	Annual Required Contribution	Percentage Contributed
State Employees' Postemployment Benefit Trust Fund			
	2012	$ 69,880	39.57%
	2011	67,030	40.87%
	2010	57,998	38.84%
	2009	58,994	33.72%
	2008	47,285	37.59%
Postemployment Benefits for State Teachers' Retirement System			
	2012	$ 43,411	0.00%
	2011	41,509	0.00%
	2010	58,966	0.00%
	2009	59,712	0.00%
	2008	60,221	0.00%

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$ 1,159,600,000	$ 1,158,000,000	$ 1,162,077,698	$ 4,077,698
Earnings of Departments	21,100,000	20,100,000	20,899,181	799,181
Other	10,500,000	11,300,000	14,024,094	2,724,094
Total revenues	1,191,200,000	1,189,400,000	1,197,000,973	7,600,973
Expenditures				
General Government				
Agency of Administration	38,916,921	74,105,287	42,234,362	(31,870,925)
Executive Office	1,423,544	1,493,475	1,363,192	(130,283)
Legislative Council	10,189,626	11,106,679	9,570,024	(1,536,655)
Joint Fiscal Office	1,465,429	1,731,883	1,498,168	(233,715)
Sergeant at Arms	511,664	651,783	525,974	(125,809)
Lieutenant Governor's Office	170,402	174,132	165,310	(8,822)
Auditor of Accounts	396,853	387,482	384,010	(3,472)
State Treasurer	1,065,828	1,202,782	740,044	(462,738)
State Labor Relations Board	203,879	201,457	198,820	(2,637)
VOSHA Review Board	25,614	48,983	26,971	(22,012)
Homeowner Property Tax Assistance	15,190,000	14,206,983	13,699,762	(507,221)
Renter Rebate Tax Assistance	2,500,000	2,803,675	2,794,206	(9,469)
Protection to Persons and Property				
Attorney General	5,146,635	5,799,685	5,526,557	(273,128)
Defender General	11,725,840	11,961,654	11,493,549	(468,105)
Judiciary	31,331,211	31,109,715	31,085,459	(24,256)
State's Attorneys and Sheriffs	13,089,140	13,388,889	12,278,660	(1,110,229)
Department of Public Safety	30,176,837	31,715,659	30,093,616	(1,622,043)
Military Department	3,522,791	4,352,502	4,183,498	(169,004)
Center Crime Victim Services	1,154,480	1,154,480	1,154,480	-
Criminal Justice Training Council	2,324,636	2,366,550	2,237,446	(129,104)
Agency of Agriculture, Food and Markets	5,881,788	7,010,651	5,752,166	(1,258,485)
Secretary of State	1,529,127	1,507,178	1,506,287	(891)
Public Service Department	-	250,000	-	(250,000)
Human Rights Commission	332,882	356,948	356,948	-
Human Services				
Agency of Human Services	551,650,429	559,757,588	529,249,143	(30,508,445)
Governor's Commission on Women	299,058	311,180	291,697	(19,483)
Human Services Board	114,505	113,416	113,416	-
Labor				
Department of Labor	2,425,316	6,350,639	4,466,251	(1,884,388)
General Education				
Department of Education	9,639,157	10,237,988	9,743,545	(494,443)
State Teacher's Retirement	51,672,307	51,672,307	51,672,307	-
Higher Education	80,339,790	80,339,798	80,339,789	(9)

continued on next page

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Expenditures				
Natural Resources				
Agency of Natural Resources	18,696,415	20,887,033	18,608,494	(2,278,539)
Natural Resources Board	757,494	720,918	720,918	-
Commerce and Community Development				
Agency of Commerce and Community Development	11,662,218	14,858,639	12,279,193	(2,579,446)
Cultural Development	1,601,792	1,601,792	1,601,792	-
Transportation				
Agency of Transportation	-	108,440	-	(108,440)
Total expenditures	907,133,608	966,048,250	887,956,054	(78,092,196)
Excess of revenues over expenditures	284,066,392	223,351,750	309,044,919	85,693,169
Other Financing Sources (Uses)				
Transfers in	15,116,053	45,804,001	45,804,001	-
Transfers out	(348,768,240)	(384,509,712)	(384,509,712)	-
Refunding bonds issued	-	79,022,616	79,022,616	-
Payment to escrow agent	-	(79,022,616)	(79,022,616)	-
Total other financing sources (uses)	(333,652,187)	(338,705,711)	(338,705,711)	-
Excess of revenues and other sources over (under) expenditures and other uses	(49,585,795)	(115,353,961)	(29,660,792)	85,693,169
Fund balance, July 1	188,491,321	188,491,321	188,491,321	-
Fund balance, June 30	$ 138,905,526	$ 73,137,360	$ 158,830,529	$ 85,693,169

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
TRANSPORTATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$ 132,500,000	$ 131,700,000	$ 131,576,127	$ (123,873)
Motor vehicle fees	74,700,000	74,400,000	73,544,143	(855,857)
Federal	265,359,630	448,505,142	367,516,376	(80,988,766)
Other	38,800,000	41,600,000	49,295,312	7,695,312
Total revenues	511,359,630	696,205,142	621,931,958	(74,273,184)
Expenditures				
Protection to Persons and Property				
Department of Public Safety	25,238,498	25,556,041	25,556,041	-
Transportation				
Agency of Transportation	495,665,659	703,379,501	606,678,430	(96,701,071)
Total expenditures	520,904,157	728,935,542	632,234,471	(96,701,071)
Excess of revenues over (under) expenditures	(9,544,527)	(32,730,400)	(10,302,513)	22,427,887
Other financing sources (uses)				
Transfers in	-	370,705	370,705	-
Transfers out	(12,327,358)	(13,095,790)	(13,095,790)	-
Total other financing sources (uses)	(12,327,358)	(12,725,085)	(12,725,085)	-
Excess of revenues and other sources over (under) expenditures and other uses	(21,871,885)	(45,455,485)	(23,027,598)	22,427,887
Fund balance, July 1	20,630,224	20,630,224	20,630,224	-
Fund balance, June 30	$ (1,241,661)	$ (24,825,261)	$ (2,397,374)	$ 22,427,887

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$ 1,056,981,104	$ 1,057,181,104	$ 1,057,244,243	$ 63,139
Interest and premiums	-	100,000	48,267	(51,733)
Other	-	-	1,509	1,509
Total revenues	1,056,981,104	1,057,281,104	1,057,294,019	12,915
Expenditures				
General Government				
Grand List	3,240,000	3,260,000	3,243,752	(16,248)
Renter Rebates	5,800,000	5,800,000	5,800,000	-
Human Services				
Agency of Human Services	4,321,425	4,307,984	4,189,136	(118,848)
General Education				
Department of Education	1,338,766,589	1,351,932,937	1,336,175,187	(15,757,750)
Total expenditures	1,352,128,014	1,365,300,921	1,349,408,075	(15,892,846)
Excess of revenues over (under) expenditures	(295,146,910)	(308,019,817)	(292,114,056)	15,905,761
Other financing sources (uses)				
Transfers in	306,432,101	306,432,101	306,432,101	-
Total other financing sources (uses)	306,432,101	306,432,101	306,432,101	-
Excess of revenues and other sources over (under) expenditures and other uses	11,285,191	(1,587,716)	14,318,045	15,905,761
Fund balance, July 1	49,124,655	49,124,655	49,124,655	-
Fund balance, June 30	$ 60,409,846	$ 47,536,939	$ 63,442,700	$ 15,905,761

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
SPECIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Special Fund Revenues	$ 222,747,409	$ 304,641,175	$ 279,108,528	$ (25,532,647)
Total revenues	222,747,409	304,641,175	279,108,528	(25,532,647)
Expenditures				
General Government				
Agency of Administration	13,710,672	44,063,806	31,388,663	(12,675,143)
Executive Office	193,500	193,500	193,500	-
Auditor of Accounts	53,099	53,099	53,099	-
State Treasurer	1,860,840	2,609,295	2,586,912	(22,383)
State Labor Relations Board	5,576	16,373	16,373	-
VOSHA Review Board	25,614	30,614	27,449	(3,165)
Unorganized Towns and Gores	-	226,000	183,480	(42,520)
Protection to Persons and Property				
Attorney General	3,618,599	4,125,311	3,853,349	(271,962)
Defender General	638,552	642,492	642,424	(68)
Judiciary	6,848,577	6,857,896	5,417,792	(1,440,104)
State's Attorneys and Sheriffs	2,246,019	2,319,456	2,205,995	(113,461)
Department of Public Safety	11,435,983	16,475,798	14,537,515	(1,938,283)
Military Department	84,049	1,654,000	1,644,430	(9,570)
Center Crime Victim Services	5,931,945	6,007,818	5,339,027	(668,791)
Criminal Justice Training Council	252,672	286,130	286,043	(87)
Agency of Agriculture, Food and Markets	7,407,176	7,956,165	5,806,580	(2,149,585)
Financial Regulation	14,820,737	15,492,863	13,900,751	(1,592,112)
Secretary of State	5,208,456	5,679,740	5,426,497	(253,243)
Public Service Department	12,341,218	13,718,454	11,038,341	(2,680,113)
Public Service Board	3,001,980	3,001,980	2,509,171	(492,809)
Enhanced 911 Board	5,845,256	6,820,186	4,961,536	(1,858,650)
Human Rights Commission	-	9,193	9,193	-
Department of Liquor Control	250,000	374,437	246,619	(127,818)
Human Services				
Agency of Human Services	85,917,096	100,596,557	85,383,033	(15,213,524)
Governor's Commission on Women	5,000	5,000	2,014	(2,986)
Human Services Board	85,843	85,843	85,843	-
Vermont Veterans Home	10,635,885	11,591,392	10,988,684	(602,708)
Labor				
Department of Labor	6,419,295	6,636,282	5,136,637	(1,499,645)
General Education				
Department of Education	17,289,117	37,387,359	27,470,688	(9,916,671)
Higher Education	2,644,500	2,644,500	2,644,500	-

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STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
SPECIAL FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Expenditures				
Natural Resources				
Agency of Natural Resources	33,407,608	39,404,368	30,917,265	(8,487,103)
Natural Resources Board	1,965,886	1,985,640	1,875,959	(109,681)
Commerce and Community Development				
Agency of Commerce and Community Development	4,709,165	9,540,591	5,331,576	(4,209,015)
Cultural Development	-	64,000	64,000	-
Transportation				
Agency of Transportation	100,000	3,085,098	2,733,993	(351,105)
Public Service Enterprises				
Public Service Department	-	6,000,000	2,296,432	(3,703,568)
Total expenditures	258,959,915	357,641,236	287,205,363	(70,435,873)
Excess of revenues over expenditures	(36,212,506)	(53,000,061)	(8,096,835)	44,903,226
Other Financing Sources (Uses)				
Proceeds on Sale of Refunding Bonds	-	437,125	437,125	-
Transfers in	51,352,901	80,969,990	80,969,990	-
Transfers out	(15,140,395)	(28,407,054)	(28,407,054)	-
Total other financing sources (uses)	36,212,506	53,000,061	53,000,061	-
Excess of revenues and other sources over (under) expenditures and other uses	-	-	44,903,226	44,903,226
Fund balance, July 1	82,345,851	82,345,851	82,345,851	-
Fund balance, June 30	$ 82,345,851	$ 82,345,851	$ 127,249,077	$ 44,903,226

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
FEDERAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Federal	$ 1,316,519,954	$ 1,123,082,859	$ 1,278,794,686	$ 155,711,827
Interest and premiums	-	71,550	71,550	-
Other	-	62,566	62,566	-
Total revenues	1,316,519,954	1,123,216,975	1,278,928,802	155,711,827
Expenditures				
General Government				
Agency of Administration	1,199,586	18,289,780	9,223,102	(9,066,678)
State Treasurer	-	339,626	339,626	-
Protection to Persons and Property				
Attorney General	685,000	685,000	640,539	(44,461)
Judiciary	1,129,259	1,129,259	947,359	(181,900)
State's Attorneys and Sheriffs	131,000	172,467	72,447	(100,020)
Department of Public Safety	28,109,587	31,024,729	23,440,440	(7,584,289)
Military Department	18,769,454	18,806,278	17,663,210	(1,143,068)
Center Crime Victim Services	3,968,964	3,968,964	3,925,350	(43,614)
Criminal Justice Training Council	-	200,000	-	(200,000)
Agency of Agriculture, Food and Markets	2,006,057	3,344,640	2,519,978	(824,662)
Financial Regulation	527,702	2,108,825	435,822	(1,673,003)
Secretary of State	2,000,000	2,054,427	738,962	(1,315,465)
Public Service Department	1,157,800	1,157,800	765,746	(392,054)
Human Rights Commission	145,000	145,000	84,250	(60,750)
Human Services				
Agency of Human Services	1,043,794,351	1,083,753,197	1,007,145,302	(76,607,895)
Developmental Disabilities Council	542,643	542,643	424,344	(118,299)
Human Services Board	150,844	150,844	115,759	(35,085)
Vermont Veterans' Home	6,881,635	6,881,635	6,881,635	-
Labor				
Department of Labor	23,888,739	23,888,739	19,094,843	(4,793,896)
General Education				
Department of Education	134,449,434	134,468,853	119,890,445	(14,578,408)
Natural Resources				
Agency of Natural Resources	15,796,383	40,885,735	35,134,700	(5,751,035)
Commerce and Community Development				
Agency of Commerce and Community Development	19,583,790	33,442,486	15,940,243	(17,502,243)
Total expenditures	1,304,917,228	1,407,440,927	1,265,424,102	(142,016,825)
Excess of revenues over expenditures	11,602,726	(284,223,952)	13,504,700	297,728,652
Other Financing Sources (Uses)				
Transfers out	(17,642,723)	(30,729,843)	(30,729,843)	-
Total other financing sources (uses)	(17,642,723)	(30,729,843)	(30,729,843)	-
Excess of revenues and other sources over (under) expenditures and other uses	(6,039,997)	(314,953,795)	(17,225,143)	297,728,652
Fund balance, July 1	36,367,835	36,367,835	36,367,835	-
Fund balance (deficit), June 30	$ 30,327,838	$ (278,585,960)	$ 19,142,692	$ 297,728,652

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GLOBAL COMMITMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Global Commitment Premiums	$ 1,079,140,000	$ 1,130,010,000	$ 1,061,421,839	$ (68,588,161)
Total revenues	1,079,140,000	1,130,010,000	1,061,421,839	(68,588,161)
Expenditures				
General Government				
Agency of Administration	-	789,438	789,438	-
Protection to Persons and Property				
Agency of Agriculture, Food & Markets	90,278	90,278	90,278	-
Financial Regulation	1,898,824	1,898,824	1,897,997	(827)
Human Services				
Agency of Human Services	1,095,443,226	1,107,071,031	1,028,346,329	(78,724,702)
Vermont Veterans' Home	1,410,956	1,410,956	1,410,956	-
General Education				
Higher Education	4,411,563	4,411,563	4,411,563	-
Department of Education	941,971	1,076,971	1,011,542	(65,429)
Total expenditures	1,104,196,818	1,116,749,061	1,037,958,103	(78,790,958)
Excess of revenues over (under) expenditures	(25,056,818)	13,260,939	23,463,736	10,202,797
Other financing sources (uses)				
Transfers out	(23,474,553)	(23,474,553)	(23,474,553)	-
Total other financing sources (uses)	(23,474,553)	(23,474,553)	(23,474,553)	-
Excess of revenues and other sources over (under) expenditures and other uses	(48,531,371)	(10,213,614)	(10,817)	10,202,797
Fund balance, July 1	86,673,267	86,673,267	86,673,267	-
Fund balance, June 30	$ 38,141,896	$ 76,459,653	$ 86,662,450	$ 10,202,797

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
AMERICAN RECOVERY AND REINVESTMENT ACT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Federal	$ 77,410,430	$ 103,894,289	$ 80,871,574	$ (23,022,715)
Interest and principal	55,702	74,759	58,193	(16,566)
Other	282,524	379,182	295,156	(84,026)
Total revenues	77,748,656	104,348,230	81,224,923	(23,123,307)
Expenditures				
General Government				
Agency of Administration	-	2,172,339	2,172,337	(2)
Protection to Persons and Property				
Department of Public Safety	702,727	812,104	552,732	(259,372)
Center for Crime Victim Services	-	217,616	211,710	(5,906)
Public Service Department	15,873,935	19,576,705	17,084,702	(2,492,003)
Public Service Board	245,385	245,385	197,909	(47,476)
Human Services				
Agency of Human Services	6,592,649	20,344,562	16,705,878	(3,638,684)
Labor				
Department of Labor	-	2,787,407	2,182,495	(604,912)
General Education				
Department of Education	10,613,000	10,613,000	5,213,177	(5,399,823)
Natural Resources				
Agency of Natural Resources	698,686	4,014,232	1,935,625	(2,078,607)
Commerce and Community Development				
Agency of Commerce and Community Development	1,002,416	1,154,935	568,980	(585,955)
Transportation				
Agency of Transportation	40,582,716	40,972,803	30,547,314	(10,425,489)
Total expenditures	76,311,514	102,911,088	77,372,859	(25,538,229)
Excess of revenues over expenditures	1,437,142	1,437,142	3,852,064	2,414,922
Other financing sources (uses)				
Transfers out	(1,437,142)	(1,437,142)	(1,437,142)	-
Total other financing sources (uses)	(1,437,142)	(1,437,142)	(1,437,142)	-
Excess of revenues and other sources over (under) expenditures and other uses	-	-	2,414,922	2,414,922
Fund balance (deficit), July 1	(1,610,452)	(1,610,452)	(1,610,452)	-
Fund balance (deficit), June 30	$ (1,610,452)	$ (1,610,452)	$ 804,470	$ 2,414,922

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
STATE HEALTH CARE RESOURCES FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
State Health Care Resources Fund Revenues	$ 217,420,000	$ 227,700,000	$ 221,379,739	$ (6,320,261)
Total revenues	217,420,000	227,700,000	221,379,739	(6,320,261)
Expenditures				
Human Services				
Agency of Human Services	221,579,040	246,847,524	226,331,517	(20,516,007)
Total expenditures	221,579,040	246,847,524	226,331,517	(20,516,007)
Excess of revenues over (under) expenditures	(4,159,040)	(19,147,524)	(4,951,778)	14,195,746
Fund balance, July 1	5,093,198	5,093,198	5,093,198	-
Fund balance (deficit), June 30	$ 934,158	$ (14,054,326)	$ 141,420	$ 14,195,746

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
TOBACCO TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Tobacco Trust Funds Revenue	$ 42,608,297	$ 42,821,801	$ 35,033,983	$ (7,787,818)
Total revenues	42,608,297	42,821,801	35,033,983	(7,787,818)
Expenditures				
General Government				
Agency of Administration	58,000	58,000	58,000	-
Protection to Persons and Property				
Attorney General	625,000	640,837	383,012	(257,825)
Judiciary	39,871	39,871	39,871	-
Department of Liquor Control	291,945	291,945	285,284	(6,661)
Human Services				
Agency of Human Services	40,611,537	40,809,204	40,532,607	(276,597)
General Education				
Department of Education	981,944	981,944	897,530	(84,414)
Total expenditures	42,608,297	42,821,801	42,196,304	(625,497)
Excess of revenues over (under) expenditures	-	-	(7,162,321)	(7,162,321)
Fund balance, July 1	17,104,498	17,104,498	17,104,498	-
Fund balance, June 30	$ 17,104,498	$ 17,104,498	$ 9,942,177	$ (7,162,321)

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
CATAMOUNT BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Catamount Fund Revenues	$ 26,290,000	$ 25,580,000	$ 27,772,696	$ 2,192,696
Total revenues	26,290,000	25,580,000	27,772,696	2,192,696
Expenditures				
Human Services				
Agency of Human Services	23,948,700	25,226,979	25,226,979	-
Labor				
Department of Labor	401,993	-	-	-
Total expenditures	24,350,693	25,226,979	25,226,979	-
Excess of revenues over (under) expenditures	1,939,307	353,021	2,545,717	2,192,696
Fund balance, July 1	2,212,330	2,212,330	2,212,330	-
Fund balance, June 30	$ 4,151,637	$ 2,565,351	$ 4,758,047	$ 2,192,696

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

Note to the Required Supplementary Information—Budgetary Reporting
(unaudited)

Budgetary Comparison Schedules

The budgetary schedules provide a comparison of the original and final adopted budget with actual data on a budgetary basis for the Governmental Funds. The State compiles a separate legal basis budgetary report, which shows the legal compliance with the budget. Budgetary comparison schedules showing legal level detail may be obtained by contacting the State of Vermont, Department of Finance and Management, 109 State Street, 5th Floor, Pavilion Building, Montpelier, Vermont 05609-0401

Budgetary Process

Vermont statutes require the head of every State department, board, and commission and any officer or individual responsible for any activity for which funds are appropriated by the Vermont Legislature to provide, on or before September 1 preceding any biennium, statements to the Commissioner of Finance and Management showing in detail the amounts appropriated and expended for both the current and preceding fiscal years and the amount estimated to be necessary for similar activity for the ensuing two fiscal years. The Commissioner of Finance and Management and the Secretary of Administration are then required to submit to the Governor by November 15 preceding each biennium, the estimates as received along with any other estimates for the ensuing two fiscal years. The Governor then submits to the Vermont Legislature, no later than the third Tuesday of every annual session, a budget that embodies estimates, requests, and recommendations for appropriations or other authorizations for expenditures from the State treasury for at least the succeeding fiscal year. The Vermont Legislature then enacts into law an appropriations act that must be approved by the Governor before expenditures can be made. In recent years in accordance with Act 250 of 1979 Section 125, it has been the practice of the Governor to submit an annual budget and the Vermont Legislature to enact appropriations on an annual basis.

Budgets are prepared and appropriated on a cash basis usually, at the program level. The Governor may amend appropriations or transfer appropriations within limits established by 32 V.S.A. Chapter 9. The Agency of Administration maintains budgetary control by fund at the appropriation level. Governmental funds' unspent appropriation balances revert to the fund balance at the end of each fiscal year for re-appropriation unless authorized to be carried forward to the following year(s) by legislative act. Unexpended balances of capital projects funds are available for expenditure in the following fiscal year(s).

Budgetary Funds

Vermont's annual Appropriation Act, the State's legally adopted budget, does not present budgets using the same fund structure as what is used for reporting in accordance with accounting principles generally accepted in the United States of America (GAAP). The GAAP basis Special Fund is represented in the Appropriation Act as program-level budgets for the Special, State Health Care Resources, Tobacco Trust and Catamount Funds. These funds are presented separately in the accompanying schedules. The budgetary basis American Recovery and Reinvestment Act Fund includes certain portions of the GAAP basis Transportation and Federal Revenue Funds. These funds are presented on a budgetary basis in the accompanying schedules.

Revenue Estimates

By July 31 each year, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of State revenues in the General, Transportation, Education, Catamount, State Health Care Resources, and Global Commitment Funds. The Emergency Board then has 10 days to determine the original revenue estimates for the fiscal year. For the Special, Federal Revenue, and American Recovery and Reinvestment Act Funds, the original budget for revenues is based on the amount appropriated for expenditures. By January 15, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of State revenues and the Emergency Board determines any revision to the July revenue estimates.

Expenditure and Transfer Budgets

The original budgets for expenditures and transfers are determined by the Legislature through the passage of the annual Appropriation Act. The Commissioner of Finance and Management (with approval from the Governor) may transfer balances of appropriations not to exceed $50,000 made under any appropriation act for the support of the government from one component of an agency, department, or other unit of State government, to any component of the same agency, department, or unit; and may transfer balances of

appropriations made under any appropriation act from one department or unit of the agency of transportation to another department or unit of the agency of transportation for the specific purpose of funding authorized transportation projects which have been approved by the federal government for advance construction in which the expenditure of State funds will be reimbursed by federal funds when the federal funds become available, and the transfer is limited to funds which have been approved for reimbursement. If any receipts including federal receipts exceed the appropriated amounts, the receipts may be allocated and expended, subject to the approval of the Secretary of Administration. If, however, the expenditure of those receipts will establish or increase the scope of the program, which establishment or increase will at any time commit the State to the expenditure of State funds, they may be expended only upon the approval of the Legislature.

Budget and GAAP Basis Reporting

The accompanying budgetary comparison schedules report the actual revenues, expenditures and other financing sources (uses) on a budget basis, which differs significantly from GAAP. These different accounting principles result in basis, perspective, and entity differences in the fund balance—budgetary basis. *Basis differences* arise because the basis of budgeting (cash basis) differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances—governmental funds. *Perspective differences* result because the Appropriation Act's program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriation Act. The following presents a reconciliation of the budgetary basis and GAAP basis fund balances for the funds reported in the accompanying schedules for the fiscal year ended June 30, 2012:

	General Fund	Transportation Fund	Education Fund	Federal Revenue Fund	Global Commitment Fund	ARRA Fund
Fund Balance - Budgetary Basis	$ 158,830,529	$ (2,397,374)	$ 63,442,700	$ 19,142,692	$ 86,662,450	$ 804,470
Basis differences						
Cash not in budget balances	20,546	9,765	374	(621,056)	-	1,501,974
Taxes receivable	196,530,132	9,435,074	14,965,825	-	-	-
Notes and loans receivable	528,749	-	-	(1,768,792)	-	1,768,792
Other receivables	9,235,299	12,964,601	886,228	(6,214,829)	20,856,801	(376,988)
Interest receivable	263	45	-	2,830	-	1,910
Due from other funds	4,080,950	456,609	-	3,275,554	37,341,879	-
Due from federal government	376,775	43,575,043	-	95,460,698	48,332,483	8,403,735
Due from component units	-	-	-	-	-	-
Accounts payable	(21,767,852)	(32,632,365)	(9,140,886)	(37,926,122)	(83,008,323)	(3,897,147)
Accrued liabilities	(9,026,891)	(4,711,354)	(128,945)	(4,266,459)	(2,209,038)	(31,485)
Retainage payable	(10,633)	(44,854)	-	(255,128)	(275,077)	(18,509)
Deferred revenue	(138,433,824)	(10,637,651)	(4,123,291)	(3,011,936)	(11,616,145)	(1,344,770)
Tax refunds payable	(6,633,326)	-	(86,713)	-	-	-
Intergovernment payables	-	-	-	(8,344,321)	-	(2,024,575)
Due to other funds	(15,350,678)	(1,151,070)	(10,976)	(1,286,318)	(6,602,727)	-
Due to component units	-	-	-	-	-	-
Entity differences						
Blended non-budgeted funds	-	3,647,221	-	288,888,611	-	-
Blended component unit	625	-	-	-	-	-
Perspective differences						
Component unit included in budgeted funds	-	-	-	3,860,858	-	-
Budgeted funds reclassified to GAAP basis major governmental fund	-	(125,296)	-	4,912,703	-	(4,787,407)
Fund Balance - GAAP Basis	$ 178,380,664	$ 18,388,394	$ 65,804,316	$ 351,848,985	$ 89,482,303	$ -

	Budget Basis Funds				GAAP Basis
	Special Fund	State Health Care Resource Fund	Tobacco Trust Fund	Catamount Fund	Special Fund
Fund Balance - Budgetary Basis	$ 127,249,077	$ 141,420	$ 9,942,177	$ 4,758,047	$ -
Basis differences					
Cash not in budget balances	310,190	-	-	-	310,190
Preferred stock investment	100,000	-	-	-	100,000
Taxes receivable	2,772,533	1,311,746	-	-	4,084,279
Notes and loans receivable	1,067,337	-	-	-	1,067,337
Other receivables	11,479,858	171,186	-	-	11,651,044
Due from other funds	3,028,116	-	-	-	3,028,116
Due from component units	42,530	-	-	-	42,530
Accounts payable	(9,629,138)	(939)	(88,286)	-	(9,718,363)
Accrued liabilities	(2,493,417)	-	(21,069)	-	(2,514,486)
Retainage payable	(67,691)	-	-	-	(67,691)
Deferred revenue	(12,005,527)	(518,056)	-	-	(12,523,583)
Tax refunds payable	(990)	(25,055)	-	-	(26,045)
Due to other funds	(32,447,780)	(20,511,736)	(2,413,162)	-	(55,372,678)
Due to component units	(61,955)	-	-	-	(61,955)
Entity differences					
Blended non-budgeted funds	10,721,795	-	-	-	10,721,795
Blended component unit	477,663	-	-	-	477,663
Perspective differences					
Component unit included in budgeted funds	(4,677,379)	-	-	-	(4,677,379)
Budgeted funds reclassified to GAAP basis enterprise fund	199,839	-	-	-	199,839
Budgeted funds reclassified to GAAP basis major governmental fund	(96,065,061)	19,431,434	(7,419,660)	(4,758,047)	142,090,721
Fund Balance - GAAP Basis	$ -	$ -	$ -	$ -	$ 88,811,334

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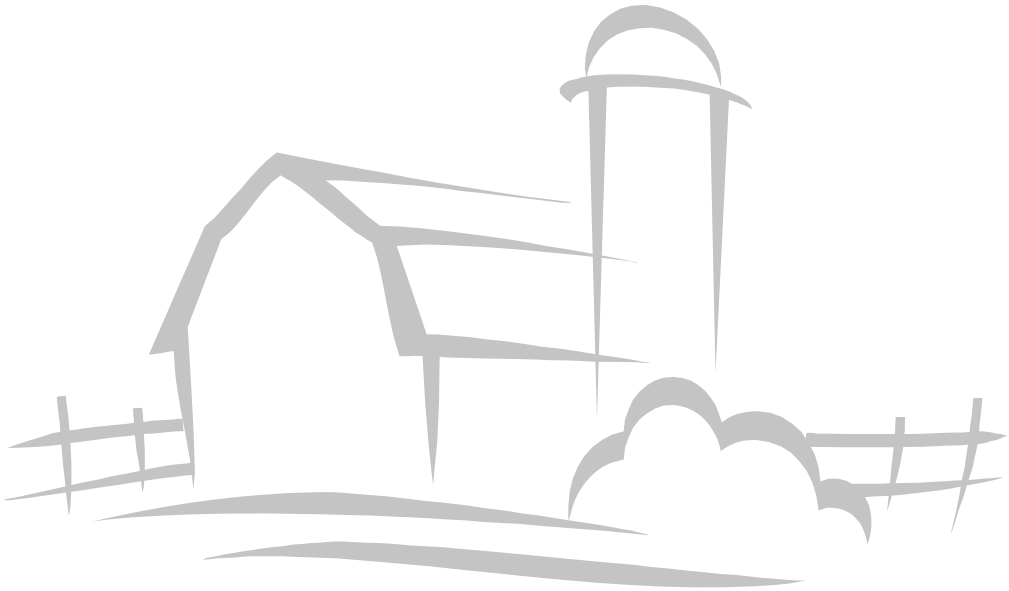

Vermont

Other Supplementary Information

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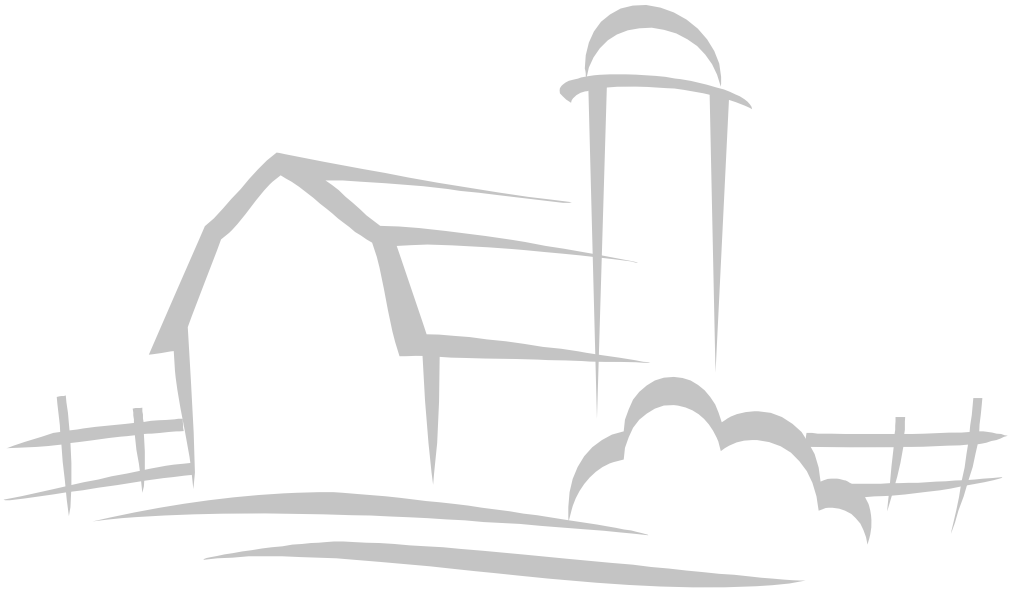

Vermont

COMBINING FINANCIAL STATEMENTS

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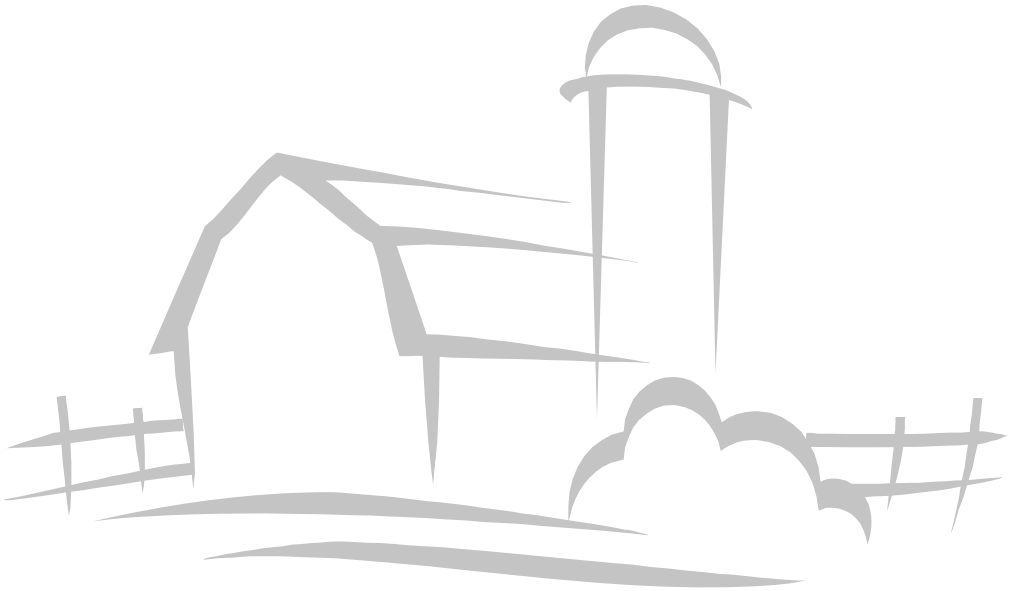

Vermont

Fish & Wildlife Fund – This fund is used to account for the activities of the Fish and Wildlife Department. The Fish and Wildlife Department's mission is to protect and conserve the State's fish, wildlife, plants and their habitats for the people of Vermont.

General Obligation Bond Projects Fund – This fund accounts for general capital improvement expenditures funded by the issuance of State general obligation bonds.

Transportation Infrastructure Bond Projects Fund – This fund accounts for transportation capital improvement expenditures funded by the issuance of Transportation Infrastructure Special Obligation bonds.

General Obligation Debt Service Fund—This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for general obligation bond principal and interest.

Transportation Infrastructure Debt Service Fund—This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for transportation infrastructure special obligation bond principal and interest.

Higher Education Endowment Fund – This is a permanent fund whose revenue is used by the University of Vermont and Vermont State Colleges to provide non loan financial assistance to Vermont students attending their institutions and by the Vermont Student Assistance Corporation to provide non loan financial assistance to Vermont students attending a Vermont postsecondary institution.

Vermont Sanitorium Fund – This is a permanent fund whose income is to be used for the treatment and cure of respiratory diseases.

Albert C. Lord Trust Fund – This is a permanent fund whose income is to be used for demonstrations, lectures and instruction in the care of woodlots and restoration.

Lumberjack Fund – This is a permanent fund whose income is to strengthen annual workshops for educators interested in enhancing classroom skills in the area of fish and wildlife management.

Couching Lion Farm Cemetery Fund – This is a permanent fund whose income is to provide for the care of a private cemetery in Camel's Hump State Park.

Carrie P. Underwood Fund – This is a permanent fund whose income is to used to provide aid to poor libraries and to otherwise promote the library interests of the State.

Laura H. Morgan Fund— This is a permanent fund whose income is to be used to benefit the Brandon Training School.

Bennington Battle Monument Fund – This is a permanent fund whose revenue is to be used to repair and maintain the Bennington Battle Monument.

Zenus H. Ellis Fund – This is a permanent fund whose income is to be used to maintain the iron fence and flagpole at the Hubbardton battlefield.

STATE OF VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue	Capital Projects	
	Fish & Wildlife Fund	General Obligation Bond Projects Fund	Transportation Infrastructure Bond Projects Fund
ASSETS			
Cash and cash equivalents	$ 803,940	$ 40,651,523	$ 348
Investments	3,880,417	-	-
Receivables			
Taxes receivable	103,803	-	-
Other receivables	998,379	-	-
Intergovernmental receivables - federal government	437,002	-	-
Due from other funds	5,460	1,209	-
Total assets	$ 6,229,001	$ 40,652,732	$ 348
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	$ 934,898	$ 4,614,903	$ 26,332
Accrued liabilities	440,312	1,087	-
Retainage payable	18,074	892,738	-
Due to other funds	95,989	39,710	-
Due to component units	-	2,071,706	-
Total liabilities	1,489,273	7,620,144	26,332
FUND BALANCES			
Nonspendable			
Permanent Fund principal	-	-	-
Restricted	-	33,302,886	-
Committed	4,739,728	-	-
Unassigned	-	(270,298)	(25,984)
Total fund balances	4,739,728	33,032,588	(25,984)
Total liabilities and fund balances	$ 6,229,001	$ 40,652,732	$ 348

See Independent Auditors' Report.

Debt Service		Permanent Funds		
General Obligation Debt Service Fund	Transportation Infrastructure Debt Service Fund	Higher Education Endowment Fund	Vermont Sanitorium Fund	Albert C. Lord Trust Fund
$ 2,321,567	$ 3,009,094	$ 53,910	$ 86,053	$ 140,147
-	-	30,495,227	236,194	209,561
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 2,321,567	$ 3,009,094	$ 30,549,137	$ 322,247	$ 349,708
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	7,000,000	206,502	183,217
-	3,009,094	-	115,745	166,491
2,321,567	-	23,549,137	-	-
-	-	-	-	-
2,321,567	3,009,094	30,549,137	322,247	349,708
$ 2,321,567	$ 3,009,094	$ 30,549,137	$ 322,247	$ 349,708

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STATE OF VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Permanent Funds		
	Lumberjack Fund	**Couching Lion Farm Cemetery Fund**	**Carrie P. Underwood Fund**
ASSETS			
Cash and cash equivalents	$ 19,789	$ 21,223	$ 10,904
Investments	10,442	2,207	12,708
Receivables			
Taxes receivable	-	-	-
Other receivables	-	-	-
Intergovernmental receivables - federal government	-	-	-
Due from other funds	-	-	-
Total assets	$ 30,231	$ 23,430	$ 23,612
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	$ -	$ -	$ -
Accrued liabilities	-	-	-
Retainage payable	-	-	-
Due to other funds	-	-	-
Due to component units	-	-	-
Total liabilities	-	-	-
FUND BALANCES			
Nonspendable			
Permanent Fund principal	9,129	1,930	11,110
Restricted	21,102	21,500	12,502
Committed	-	-	-
Unassigned	-	-	-
Total fund balances	30,231	23,430	23,612
Total liabilities and fund balances	$ 30,231	$ 23,430	$ 23,612

See Independent Auditors' Report.

Permanent Funds			Total Non-major Governmental Funds
Laura H. Morgan Fund	Bennington Battle Monument Fund	Zenus H. Ellis Fund	
$ 1,931	$ -	$ -	$ 47,120,429
2,860	2,466	2,308	34,854,390
-	-	-	103,803
-	-	-	998,379
-	-	-	437,002
-	-	-	6,669
$ 4,791	$ 2,466	$ 2,308	$ 83,520,672
$ -	$ -	$ -	$ 5,576,133
-	-	-	441,399
-	-	-	910,812
-	-	-	135,699
-	-	-	2,071,706
-	-	-	9,135,749
2,500	1,065	1,000	7,416,453
2,291	1,401	1,308	36,654,320
-	-	-	30,610,432
-	-	-	(296,282)
4,791	2,466	2,308	74,384,923
$ 4,791	$ 2,466	$ 2,308	$ 83,520,672

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Special Revenue	Capital Projects	
	Fish & Wildlife Fund	General Obligation Bond Projects Fund	Transportation Infrastructure Bond Projects Fund
REVENUES			
Taxes			
Motor fuels tax	$ 926,827	$ -	$ -
Earnings of departments			
Fees	172,002	-	-
Rents and leases	48,537	-	-
Sales of services	4,200	-	-
Federal grants	7,173,586	-	-
Fines, forfeits and penalties	8,448	-	-
Investment income	121,778	-	171
Licenses			
Business	980	-	-
Non-business	6,539,729	-	-
Special assessments	2,767	-	-
Other revenues	831,983	-	-
Total revenues	15,830,837	-	171
EXPENDITURES			
General government	-	25,657,378	-
Protection to persons and property	-	2,706,701	-
Human services	-	3,521,545	-
General education	-	11,527,418	-
Natural resources	17,383,190	7,557,538	-
Commerce and community development	-	4,058,902	-
Transportation	-	-	622,855
Debt service	-	-	-
Total expenditures	17,383,190	55,029,482	622,855
Excess of revenues over (under) expenditures	(1,552,353)	(55,029,482)	(622,684)
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of bonds	-	63,000,000	-
Premium on sale of bonds	-	-	-
Transfers in	456,366	435,659	-
Transfers out	(185,353)	(4,887,564)	-
Total other financing sources (uses)	271,013	58,548,095	-
Net change in fund balances	(1,281,340)	3,518,613	(622,684)
Fund balances, July 1	6,021,068	29,513,975	596,700
Fund balances, June 30	$ 4,739,728	$ 33,032,588	$ (25,984)

See Independent Auditors' Report.

Debt Service		Permanent Funds		
General Obligation Debt Service Fund	Transportation Infrastructure Bonds Debt Service Fund	Higher Education Endowment Fund	Vermont Sanitorium Fund	Albert C. Lord Trust Fund
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	987,304	7,515	6,745
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	987,304	7,515	6,745
-	-	-	-	-
-	-	-	-	-
-	-	-	25,000	-
-	-	1,267,880	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
71,398,829	991,562	-	-	-
71,398,829	991,562	1,267,880	25,000	-
(71,398,829)	(991,562)	(280,576)	(17,485)	6,745
-	-	-	-	-
2,321,565	-	-	-	-
70,010,710	2,014,081	60,675	-	-
-	-	-	-	-
72,332,275	2,014,081	60,675	-	-
933,446	1,022,519	(219,901)	(17,485)	6,745
1,388,121	1,986,575	30,769,038	339,732	342,963
$ 2,321,567	$ 3,009,094	$ 30,549,137	$ 322,247	$ 349,708

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STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Permanent Funds		
	Lumberjack Fund	**Couching Lion Farm Cemetery Fund**	**Carrie P. Underwood Fund**
REVENUES			
Taxes			
Motor fuels tax	$ -	$ -	$ -
Earnings of departments			
Fees	-	-	-
Rents and leases	-	-	-
Sales of services	-	-	-
Federal grants	-	-	-
Fines, forfeits and penalties	-	-	-
Investment income	359	106	413
Licenses			
Business	-	-	-
Non-business	-	-	-
Special assessments	-	-	-
Other revenues	-	-	-
Total revenues	359	106	413
EXPENDITURES			
General government	-	-	-
Protection to persons and property	-	-	-
Human services	-	-	-
General education	-	-	-
Natural resources	-	-	-
Commerce and community development	-	-	-
Transportation	-	-	-
Debt service	-	-	-
Total expenditures	-	-	-
Excess of revenues over (under) expenditures	359	106	413
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of bonds	-	-	-
Premium on sale of bonds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources	-	-	-
Net change in fund balances	359	106	413
Fund balances, July 1	29,872	23,324	23,199
Fund balance, June 30	$ 30,231	$ 23,430	$ 23,612

See Independent Auditors' Report.

Permanent Funds			
Laura H. Morgan Fund	Bennington Battle Monument Fund	Zenus H. Ellis Fund	Total Non-major Governmental Funds
$ -	$ -	$ -	$ 926,827
-	-	-	172,002
-	-	-	48,537
-	-	-	4,200
-	-	-	7,173,586
-	-	-	8,448
93	78	73	1,124,635
-	-	-	980
-	-	-	6,539,729
-	-	-	2,767
-	-	-	831,983
93	78	73	16,833,694
-	-	-	25,657,378
-	-	-	2,706,701
-	-	-	3,546,545
-	-	-	12,795,298
-	-	-	24,940,728
-	-	-	4,058,902
-	-	-	622,855
-	-	-	72,390,391
-	-	-	146,718,798
93	78	73	(129,885,104)
-	-	-	63,000,000
-	-	-	2,321,565
-	-	-	72,977,491
-	-	-	(5,072,917)
-	-	-	133,226,139
93	78	73	3,341,035
4,698	2,388	2,235	71,043,888
$ 4,791	$ 2,466	$ 2,308	$ 74,384,923

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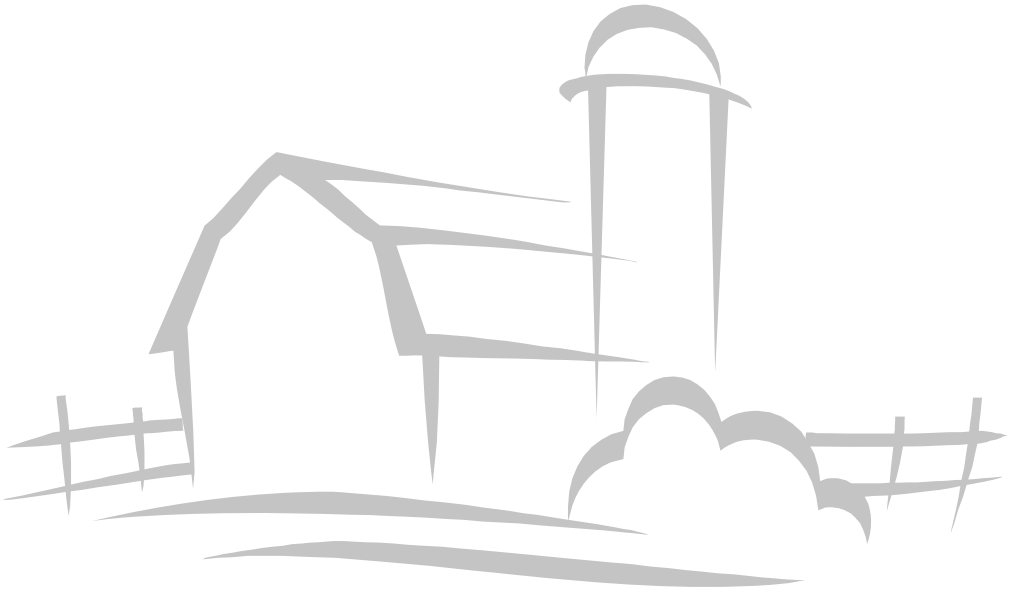

Vermont

Industrial Homework Office Fund – This fund is used to account for a program that arranges industrial work for blind and otherwise handicapped citizens at their home of a subcontract nature.

Federal Surplus Property Fund – This fund is used to account for a program that acquires and distributes surplus property from various military and federal sources. Public entities (towns, schools, districts, volunteer fire departments, etc) and non-profit organizations conducting educational and health care programs may apply for eligibility.

Vermont Life Magazine Fund – This fund is used to account for the activities of the Vermont Life Magazine. *Vermont Life* is a quarterly magazine published by the State of Vermont. It explores and celebrates the State's people, places and rich heritage.

Municipal Equipment Loan Fund – This fund is used to account for a program that was created for the purpose of providing loans on favorable terms to municipalities for the purchase of construction, fire, emergency or heavy equipment or vehicles.

Unemployment Compensation Contingency Fund – This fund is used to account for the interest, fines and penalties collected under the unemployment compensation law as well as the administrative costs not chargeable to federal grants.

Electric Power Sales Fund—This fund is used to account for the revenues and expenses for the purchase of wholesale electric power for resale to Vermont's utilities.

STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2012

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
ASSETS			
Current Assets			
Cash and cash equivalents	$ 76,378	$ -	$ -
Accrued interest receivable	-	-	-
Accounts receivable (net of allowances for uncollectibles)	-	28,000	170,559
Loans receivable	-	-	-
Due from other funds	-	-	-
Inventories, at cost	-	98,803	175,456
Prepaid expenses	-	-	71,522
Total current assets	76,378	126,803	417,537
Restricted and Noncurrent Assets			
Cash - subscription reserve fund	-	-	488,880
Loans receivable	-	-	-
Accounts receivable - subscriptions	-	-	8,747
Imprest cash and change fund - advances	-	-	1,200
Total restricted and noncurrent assets	-	-	498,827
Capital Assets			
Capital assets being depreciated			
Machinery, equipment and buildings	-	-	5,809
Less accumulated depreciation	-	-	(3,469)
Total capital assets, net of depreciation	-	-	2,340
Total restricted and noncurrent assets	-	-	501,167
Total assets	76,378	126,803	918,704
LIABILITIES			
Current Liabilities			
Accounts payable	-	19,029	139,748
Accrued salaries and benefits	-	257	64,481
Due to other funds	-	4,559	-
Interfund payable	-	502,582	1,518,400
Unearned revenue	-	98,803	55,231
Other current liabilities	-	-	99
Total current liabilities	-	625,230	1,777,959
Long-term Liabilities			
Unexpired subscriptions	-	-	488,880
Advances from other funds	-	-	1,200
Total long-term liabilities	-	-	490,080
Total liabilities	-	625,230	2,268,039
NET ASSETS			
Invested in capital assets, net of related debt	-	-	2,340
Unrestricted (deficit)	76,378	(498,427)	(1,351,675)
Total net assets	$ 76,378	$ (498,427)	$ (1,349,335)

See Independent Auditors' Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Electric Power Sales Fund	Total Non-major Enterprise Funds
$ 953,431	$ 388,251	$ -	$ 1,418,060
17,649	-	-	17,649
-	-	285,960	484,519
993,093	-	-	993,093
-	91,828	-	91,828
-	-	-	274,259
-	-	-	71,522
1,964,173	480,079	285,960	3,350,930
-	-	-	488,880
1,205,309	-	-	1,205,309
-	-	-	8,747
-	-	-	1,200
1,205,309	-	-	1,704,136
-	-	-	5,809
-	-	-	(3,469)
-	-	-	2,340
1,205,309	-	-	1,706,476
3,169,482	480,079	285,960	5,057,406
-	-	262,464	421,241
-	-	-	64,738
-	-	-	4,559
-	-	12,242	2,033,224
-	-	-	154,034
-	-	-	99
-	-	274,706	2,677,895
-	-	-	488,880
-	-	-	1,200
-	-	-	490,080
-	-	274,706	3,167,975
-	-	-	2,340
3,169,482	480,079	11,254	1,887,091
$ 3,169,482	$ 480,079	$ 11,254	$ 1,889,431

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
OPERATING REVENUES			
Charges for sales and services	$ -	$ 120,585	$ 1,204,825
Federal donated property	-	1,004,760	-
Advertising revenue	-	-	373,898
Other operating revenues	-	-	105,091
Total operating revenues	-	1,125,345	1,683,814
OPERATING EXPENSES			
Cost of sales and services	-	1,004,760	661,488
Salaries and benefits	-	35,146	627,084
Insurance premium expense	-	360	6,790
Contractual services	-	-	265,725
Repairs and maintenance	-	320	157
Depreciation	-	-	1,936
Rental expense	-	7,042	814
Utilities and property management	-	2,479	16,198
Non-capital equipment purchased	-	136	9,565
Promotions and advertising	-	-	136,416
Administrative expenses	-	12,178	1,085
Supplies and parts	-	161	4,914
Distribution and postage	-	105,223	261,556
Travel	-	41	2,859
Other operating expenses	-	10	32,879
Total operating expenses	-	1,167,856	2,029,466
Operating income (loss)	-	(42,511)	(345,652)
NONOPERATING REVENUES (EXPENSES)			
Investment income (expense)	-	-	(1,690)
Total nonoperating revenues (expenses)	-	-	(1,690)
Income (loss) before transfers	-	(42,511)	(347,342)
TRANSFERS			
Transfers in	-	250,000	-
Transfers out	-	-	-
Total transfers	-	250,000	-
Change in net assets	-	207,489	(347,342)
Total net assets (deficit), July 1	76,378	(705,916)	(1,001,993)
Total net assets (deficit), June 30	$ 76,378	$ (498,427)	$ (1,349,335)

See Independent Auditors' Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Electric Power Sales Fund	Total Non-major Enterprise Funds
$ -	$ -	$ 2,147,211	$ 3,472,621
-	-	-	1,004,760
-	-	-	373,898
54,459	-	-	159,550
54,459	-	2,147,211	5,010,829
-	-	2,152,852	3,819,100
-	-	19,714	681,944
-	-	-	7,150
-	-	3,025	268,750
-	-	-	477
-	-	-	1,936
-	-	1,390	9,246
-	-	383	19,060
-	-	19	9,720
-	-	-	136,416
-	29,452	-	42,715
-	-	108	5,183
-	-	-	366,779
-	-	-	2,900
-	-	-	32,889
-	29,452	2,177,491	5,404,265
54,459	(29,452)	(30,280)	(393,436)
848	2,093	-	1,251
848	2,093	-	1,251
55,307	(27,359)	(30,280)	(392,185)
-	815,785	-	1,065,785
-	(771,006)	-	(771,006)
-	44,779	-	294,779
55,307	17,420	(30,280)	(97,406)
3,114,175	462,659	41,534	1,986,837
$ 3,169,482	$ 480,079	$ 11,254	$ 1,889,431

STATE OF VERMONT
COMBINING STATEMENT OFCASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ -	$ 93,525	$ 1,588,229
Cash paid to suppliers for goods and services	-	(108,854)	(1,334,891)
Cash paid to employees for services	-	(31,368)	(623,508)
Other operating revenues	-	-	105,091
Other operating expenses	-	(10)	(32,879)
Net cash provided (used) by operating activities	-	(46,707)	(297,958)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in (out)	-	250,000	-
Interfund loans and advances	(1,700)	(203,293)	251,674
Net cash provided by noncapital financing activities	(1,700)	46,707	251,674
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investments	-	-	(1,690)
Net cash provided (used) by investing activities	-	-	(1,690)
Net increase (decrease) in cash and cash equivalents	(1,700)	-	(47,974)
Cash and cash equivalents, July 1	78,078	-	538,054
Cash and cash equivalents, June 30	$ 76,378	$ -	$ 490,080
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ -	$ (42,511)	$ (345,652)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	-	-	1,936
(Increase)/decrease in accounts/taxes receivable	-	(27,060)	(27,171)
(Increase)/decrease in loans receivable	-	-	-
(Increase)/decrease in acrued interest receivable	-	-	-
(Increase)/decrease in due from other funds	-	195	-
(Increase)/decrease in inventories	-	(96,704)	(5,530)
(Increase)/decrease in prepaid expenses	-	-	65,733
Increase/(decrease) in accounts payable	-	18,891	(27,412)
Increase/(decrease) in accrued salaries and benefits	-	(79)	3,576
Increase/(decrease) in due to other funds	-	3,857	-
Increase/(decrease) in deferred revenue	-	96,704	23,596
Increase/(decrease) in other liabilities	-	-	(115)
Increase/(decrease) in subscription reserves	-	-	13,081
Total adjustments	-	(4,196)	47,694
Net cash provided (used) by operating activities	$ -	$ (46,707)	$ (297,958)

NOTE: Total cash and cash equivalents at June 30 on the cash flow statement is equal to cash & cash equivalents, cash-subscription reserve fund, and imprest cash on the Statement of Net Assets.

See Independent Auditors' Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Electric Power Sales Fund	Total Non-major Enterprise Funds
$ 1,130,687	$ -	2,047,572	$ 4,860,013
(757,309)	-	(2,077,675)	(4,278,729)
-	-	(19,714)	(674,590)
-	-	-	105,091
-	(29,452)	-	(62,341)
373,378	(29,452)	(49,817)	(50,556)
-	65,751	-	315,751
-	-	12,242	58,923
-	65,751	12,242	374,674
848	2,093	-	1,251
848	2,093	-	1,251
374,226	38,392	(37,575)	325,369
579,205	349,859	37,575	1,582,771
$ 953,431	$ 388,251	-	$ 1,908,140
$ 54,459	$ (29,452)	(30,280)	$ (393,436)
-	-	-	1,936
-	-	(99,639)	(153,870)
322,118	-	-	322,118
(3,199)	-	-	(3,199)
-	-	-	195
-	-	-	(102,234)
-	-	-	65,733
-	-	80,102	71,581
-	-	-	3,497
-	-	-	3,857
-	-	-	120,300
-	-	-	(115)
-	-	-	13,081
318,919	-	(19,537)	342,880
$ 373,378	$ (29,452)	$ (49,817)	$ (50,556)

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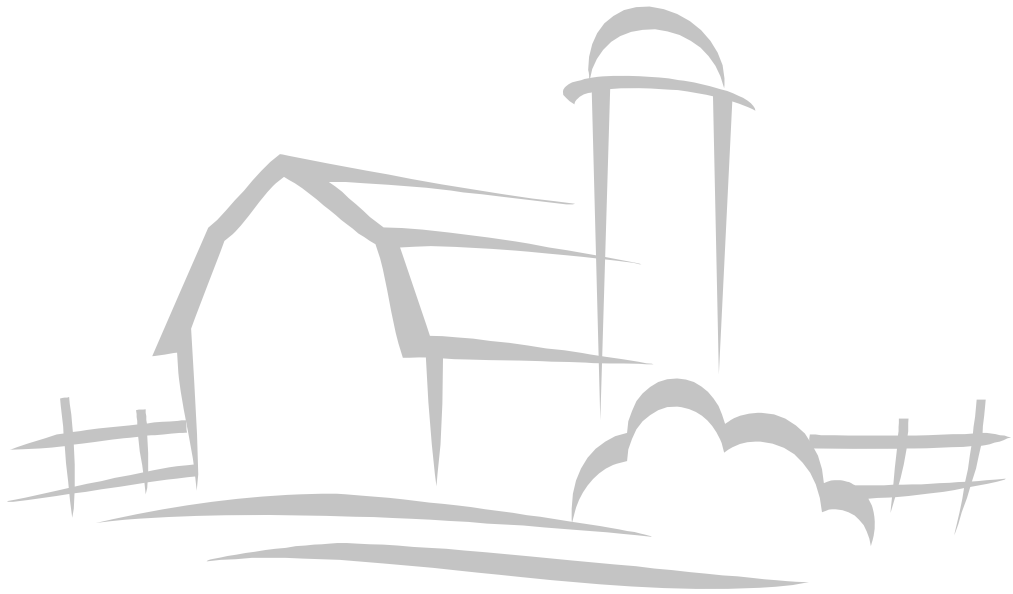

Vermont

Highway Garage Fund – This fund accounts for the maintenance and rental of equipment to the Agency of Transportation for use in construction, maintenance and operation of the State's transportation infrastructure.

Offender Work Programs – This fund accounts for the activities of the print shop, sign shop and furniture shop run by the Department of Corrections.

Single Audit Revolving Fund – The purpose of this fund is to account for the costs attributable to the Auditor of Accounts Office's performance of the annual Single Audit .

Financial & HR Information Fund – The activities of this fund account for the costs of the support of the State's financial and human capital management ERP systems.

Communications & Information Technology Fund – This fund accounts for the activities of the Department of Information and Innovation's communications and information technology services.

Fleet Fund – This fund accounts for the Department of Buildings and General Services' vehicle management activities including the daily and long-term leasing of vehicles for employees use in travel on State business.

E-Procurement Fund - The purpose of the Purchasing Card Program is to establish a more efficient, cost-effective method of purchasing and paying for small dollar transactions and high-volume, repetitive purchases.

Copy Center Fund – This fund's activities include the Department of Buildings and General Services Print Shop and copier leasing services.

Postage Fund – This fund accounts for the mail services for the Montpelier and Waterbury state complexes including mail collection and delivery, sorting, and applying postage.

Facilities Operations Fund – This fund's purpose is to provide operating expenses, maintenance, renovations and acquisitions of buildings, grounds and support facilities.

Property Management Fund – This fund's purpose is to provide State Agencies with safe, comfortable, and efficient space through leasing; purchasing; and planning which enables them to carry out their mission.

Equipment Revolving Fund – This fund is used as an internal lease purchase mechanism of equipment for State agencies and departments.

State Resource Management Fund – This fund accounts for the costs of energy resource conservation measures implemented by departments anticipated to generate a life cycle cost benefit to the state.

State Surplus Property Fund – This fund accounts for the sale of all items that are no longer needed by the State's agencies and departments.

State Liability Insurance Fund – This fund provides liability insurance coverage for the actions performed by the State's employees in the course of performing their assigned duties.

Risk Management-All Other Fund – This fund is used to purchase insurance protection for state property and other miscellaneous risks that are specific to certain departments or types of employees, such as judicial liability, liability related to maintenance of railroad tracks, and required bonds for certain state officials.

Workers' Compensation Fund – This fund provides workers' compensation coverage for all state employees.

Medical Insurance Fund – This fund provides health coverage for current state employees, retirees, legislators and other groups eligible to participate.

Dental Insurance Fund – This fund provides dental coverage for current state employees, legislators and other groups eligible to participate.

Life Insurance Fund – This fund provides a life insurance policy for current state employees, retirees and other groups eligible to participate.

Long-term Disability Fund – This fund provides an income replacement benefit for state employees that are not eligible to be represented by the employees' union should they have a long term or permanent disability.

Employees' Assistance Fund – This fund provides a program that assists state employees and members of their immediate household assistance in addressing problems that impact their lives.

Human Resources Fund - This fund provides centralized human resources management services for agencies and departments of the State.

STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
ASSETS			
Current Assets			
Cash and cash equivalents	$ 492,402	$ 282,273	$ -
Accounts receivable	1,549,334	624,443	4,296
Due from other funds	-	-	-
Inventories, at cost	1,297,053	485,073	-
Prepaid expenses	-	-	-
Total current assets	3,338,789	1,391,789	4,296
Capital Assets			
Land	26,156	-	-
Construction in progress	1,215,348	-	-
Works of art	-	-	-
Capital assets being depreciated			
Machinery, equipment and buildings	55,553,052	1,519,259	-
Less accumulated depreciation	(32,330,344)	(1,098,737)	-
Total capital assets, net of depreciation	24,464,212	420,522	-
Total assets	27,803,001	1,812,311	4,296
LIABILITIES			
Current Liabilities			
Accounts payable	1,923,840	200,598	150,820
Accrued salaries and wages	283,201	126,851	-
Claims payable	-	-	-
Due to other funds	-	154	-
Interfund payable	-	-	313,718
Unearned revenue	-	-	-
Capital leases payable	-	-	-
Total current liabilities	2,207,041	327,603	464,538
Long-term Liabilities			
Claims payable	-	-	-
Capital leases payable	-	-	-
Total long-term liabilities	-	-	-
Total liabilities	2,207,041	327,603	464,538
NET ASSETS			
Invested in capital assets, net of related debt	24,464,212	420,522	-
Unrestricted net assets (deficit)	1,131,748	1,064,186	(460,242)
Total net assets	$ 25,595,960	$ 1,484,708	$ (460,242)

See Independent Auditors' Report.

Financial & HR Information Fund	Communication & Information Technology Fund	Fleet Fund	E-Procurement Fund
$ 985,314	$ -	$ -	$ -
-	1,301,599	960,202	992,346
31,047	1,157,660	159,836	-
-	-	-	-
45,357	403,227	-	-
1,061,718	2,862,486	1,120,038	992,346
-	-	-	-
-	-	-	-
-	-	-	-
31,140	7,570,777	12,256,092	-
(31,140)	(5,488,928)	(6,074,122)	-
-	2,081,849	6,181,970	-
1,061,718	4,944,335	7,302,008	992,346
309,417	3,030,243	466,383	532,843
400,755	490,663	37,969	-
-	-	-	-
41,836	200,000	161	-
-	280,603	5,492,346	459,503
-	-	-	-
-	-	-	-
752,008	4,001,509	5,996,859	992,346
-	-	-	-
-	-	-	-
-	-	-	-
752,008	4,001,509	5,996,859	992,346
-	2,081,849	6,181,970	-
309,710	(1,139,023)	(4,876,821)	-
$ 309,710	$ 942,826	$ 1,305,149	$ -

Continued on next page

STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012

	Copy Center Fund	Postage Fund	Facilities Operations Fund
ASSETS			
Current Assets			
Cash and cash equivalents	$ -	$ -	$ -
Accounts receivable	252,475	312,195	2,851,010
Due from other funds	-	-	26,698,009
Inventories, at cost	-	465,813	-
Prepaid expenses	28,434	-	-
Total current assets	280,909	778,008	29,549,019
Capital Assets			
Land	-	-	-
Construction in progress	-	-	-
Works of art	-	-	8,200
Capital assets being depreciated			
Machinery, equipment and buildings	3,675,020	460,079	4,573,565
Less accumulated depreciation	(2,189,550)	(460,079)	(2,226,986)
Total capital assets, net of depreciation	1,485,470	-	2,354,779
Total assets	1,766,379	778,008	31,903,798
LIABILITIES			
Current Liabilities			
Accounts payable	200,353	10,151	2,485,599
Accrued salaries and wages	38,538	50,876	1,043,332
Claims payable	-	-	-
Due to other funds	4,559	4,559	1,426
Interfund payable	3,111,194	2,758,729	27,637,400
Unearned revenue	-	-	-
Capital leases payable	-	-	494,233
Total current liabilities	3,354,644	2,824,315	31,661,990
Long-term Liabilities			
Claims payable	-	-	-
Capital leases payable	-	-	3,101,346
Total long-term liabilities	-	-	3,101,346
Total liabilities	3,354,644	2,824,315	34,763,336
NET ASSETS			
Invested in capital assets, net of related debt	1,485,470	-	(1,240,800)
Unrestricted net assets (deficit)	(3,073,735)	(2,046,307)	(1,618,738)
Total net assets	$ (1,588,265)	$ (2,046,307)	$ (2,859,538)

See Independent Auditors' Report.

Property Management Fund	Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liabilty Insurance Fund	Risk Management - All Other Fund
$ -	$ -	$ -	$ 261,588	$ 8,837,655	$ -
282,839	675,410	324,009	2,049	-	1,135,996
3,949,132	-	-	13,678	3,139	-
-	-	-	18,286	-	-
738,647	-	-	-	-	-
4,970,618	675,410	324,009	295,601	8,840,794	1,135,996
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
24,684	-	-	-	6,334	-
(20,501)	-	-	-	(2,727)	-
4,183	-	-	-	3,607	-
4,974,801	675,410	324,009	295,601	8,844,401	1,135,996
327,163	-	-	22,824	805	178,500
95,328	-	-	24,282	26,830	-
-	-	-	-	1,241,262	-
18,040	-	-	-	-	3,139
26,335,105	675,410	324,009	-	-	861,547
-	-	-	18,286	-	-
-	-	-	-	-	-
26,775,636	675,410	324,009	65,392	1,268,897	1,043,186
-	-	-	-	5,925,872	-
-	-	-	-	-	-
-	-	-	-	5,925,872	-
26,775,636	675,410	324,009	65,392	7,194,769	1,043,186
4,183	-	-	-	3,607	-
(21,805,018)	-	-	230,209	1,646,025	92,810
$ (21,800,835)	$ -	$ -	$ 230,209	$ 1,649,632	$ 92,810

Continued on next page

STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012

	Workers' Compensation Fund	Medical Insurance Fund	Dental Insurance Fund
ASSETS			
Current Assets			
Cash and cash equivalents	$ 21,534,755	$ 29,052,062	$ 364,514
Accounts receivable	-	4,305,595	210,643
Due from other funds	3,232	10,625	571
Inventories, at cost	-	-	-
Prepaid expenses	8,689	-	-
Total current assets	21,546,676	33,368,282	575,728
Capital Assets			
Land	-	-	-
Construction in progress	-	-	-
Works of art	-	-	-
Capital assets being depreciated			
Machinery, equipment and buildings	-	-	-
Less accumulated depreciation	-	-	-
Total capital assets, net of depreciation	-	-	-
Total assets	21,546,676	33,368,282	575,728
LIABILITIES			
Current Liabilities			
Accounts payable	45,699	1,343,732	51,841
Accrued salaries and wages	72,708	101,556	3,021
Claims payable	149,020	12,683,413	213,839
Due to other funds	-	-	-
Interfund payable	-	-	-
Unearned revenue	-	169	-
Capital leases payable	-	-	-
Total current liabilities	267,427	14,128,870	268,701
Long-term Liabilities			
Claims payable	25,914,328	-	-
Capital leases payable	-	-	-
Total long-term liabilities	25,914,328	-	-
Total liabilities	26,181,755	14,128,870	268,701
NET ASSETS			
Invested in capital assets, net of related debt	-	-	-
Unrestricted net assets (deficit)	(4,635,079)	19,239,412	307,027
Total net assets	$ (4,635,079)	$ 19,239,412	$ 307,027

See Independent Auditors' Report.

Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Human Resources Fund	Eliminations	Total Internal Service Fund
$ 360,347	$ 26,736	$ 64,581	$ 36,464	$ -	$ 62,298,691
80,963	7,969	9,600	-	-	15,882,973
228	-	-	1,049	(45,409)	31,982,797
-	-	-	-	-	2,266,225
-	-	-	-	-	1,224,354
441,538	34,705	74,181	37,513	(45,409)	113,655,040
-	-	-	-	-	26,156
-	-	-	-	-	1,215,348
-	-	-	-	-	8,200
-	-	-	-	-	85,670,002
-	-	-	-	-	(49,923,114)
-	-	-	-	-	36,996,592
441,538	34,705	74,181	37,513	(45,409)	150,651,632
131,584	17,195	62,860	35,399	-	11,527,849
1,207	-	-	308,739	-	3,105,856
-	-	-	-	-	14,287,534
-	-	-	-	(45,409)	228,465
-	-	-	-	-	68,249,564
-	-	-	-	-	18,455
-	-	-	-	-	494,233
132,791	17,195	62,860	344,138	(45,409)	97,911,956
-	-	-	-	-	31,840,200
-	-	-	-	-	3,101,346
-	-	-	-	-	34,941,546
132,791	17,195	62,860	344,138	(45,409)	132,853,502
-	-	-	-	-	33,401,013
308,747	17,510	11,321	(306,625)	-	(15,602,883)
$ 308,747	$ 17,510	$ 11,321	$ (306,625)	$ -	$ 17,798,130

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
OPERATING REVENUES			
Charges for sales and services	$ 16,316,232	$ 3,510,452	$ 2,916,478
Rental income	223,756	-	-
Other operating revenues	17,197	-	-
Total operating revenues	16,557,185	3,510,452	2,916,478
OPERATING EXPENSES			
Cost of sales and services	-	1,577,802	-
Claims expense	-	-	-
Salaries and benefits	3,678,993	899,785	1,135,267
Insurance premium expense	244,710	1,000	-
Contractual services	27,379	22,435	1,809,835
Repairs and maintenance	1,184,034	107,839	-
Depreciation	4,680,607	51,773	-
Rental expense	3,693	161,337	23,804
Utilities and property management	198,675	62,628	15,314
Non-capital equipment purchased	122,752	64,279	3,670
Promotions and advertising	281	845	125
Administrative expenses	24,652	1,248	12,761
Supplies and parts	6,439,523	22,913	7,035
Distribution and postage	2,152	24,916	46
Travel expenses	1,599	18,573	2,458
Other operating expenses	14,547	161,993	-
Total operating expenses	16,623,597	3,179,366	3,010,315
Operating income (loss)	(66,412)	331,086	(93,837)
NONOPERATING REVENUES			
Gain (loss) on disposal of capital assets	465,349	(3,193)	-
Investment income (expense)	-	-	-
Total nonoperating revenues (expenses)	465,349	(3,193)	-
Income (loss) before contributions, and transfers	398,937	327,893	(93,837)
Capital contributions from other funds	(665)	-	-
Transfers in	1,120,000	-	-
Transfers out	-	-	-
Change in net assets	1,518,272	327,893	(93,837)
Total net assets (deficit), July 1	24,077,688	1,156,815	(366,405)
Total net assets (deficit), June 30	$ 25,595,960	$ 1,484,708	$ (460,242)

See Independent Auditor's Report.

Financial & HR Information Fund	Communication & Information Technology Fund	Fleet Fund	E-Procurement Fund	Copy Center Fund
$ 5,478,824	$ 15,667,708	$ 4,637,196	$ 6,771,205	$ 2,085,296
-	-	-	-	-
-	-	258,208	-	-
5,478,824	15,667,708	4,895,404	6,771,205	2,085,296
-	4,561,216	-	6,771,205	292,981
-	-	-	-	-
3,515,279	5,123,468	528,522	-	567,573
8,586	12,451	133,773	-	3,177
6,461	998,933	-	-	9,364
1,173,130	1,917,751	405,798	-	323,090
5,450	397,201	1,683,379	-	673,668
164,134	839,355	8,236	-	46,586
135,677	1,772,511	24,016	-	21,824
120,898	1,376,765	8,775	-	18,102
5,448	3,285	6,747	-	-
225,971	97,133	79,502	-	53,109
10,904	20,580	1,456,278	-	4,240
4,123	5,882	119	-	26
8,002	37,651	77	-	762
184	906,416	5,554	-	1,378
5,384,247	18,070,598	4,340,776	6,771,205	2,015,880
94,577	(2,402,890)	554,628	-	69,416
-	-	294,588	-	25,554
-	-	-	-	-
-	-	294,588	-	25,554
94,577	(2,402,890)	849,216	-	94,970
-	-	(4,190)	-	-
-	900,000	-	-	-
-	-	-	-	-
94,577	(1,502,890)	845,026	-	94,970
215,133	2,445,716	460,123	-	(1,683,235)
$ 309,710	$ 942,826	$ 1,305,149	$ -	$ (1,588,265)

Continued on next page

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Postage Fund	Facilities Operations Fund	Property Management Fund
OPERATING REVENUES			
Charges for sales and services	$ 3,202,405	$ 23,582,188	$ -
Rental income	-	-	13,082,921
Other operating revenues	-	3,498,199	85,838
Total operating revenues	3,202,405	27,080,387	13,168,759
OPERATING EXPENSES			
Cost of sales and services	2,637,037	27	10,084,894
Claims expense	-	-	-
Salaries and benefits	619,475	11,612,831	1,179,627
Insurance premium expense	3,484	416,476	41,195
Contractual services	-	1,212,805	164,339
Repairs and maintenance	81,902	3,423,798	90,781
Depreciation	18,367	383,245	1,079
Rental expense	55,200	972,144	59,761
Utilities and property management	23,243	7,384,216	1,245,466
Non-capital equipment purchased	3,201	259,747	48,854
Promotions and advertising	65	8,410	-
Administrative expenses	19,183	547,647	291,881
Supplies and parts	20,535	1,973,595	110,441
Distribution and postage	8,083	24,915	830
Travel expenses	92	27,437	2,549
Other operating expenses	28	627,931	150,185
Total operating expenses	3,489,895	28,875,224	13,471,882
Operating income (loss)	(287,490)	(1,794,837)	(303,123)
NONOPERATING REVENUES			
Gain (loss) on disposal of capital assets	-	(1,254,763)	-
Investment income (expense)	-	-	-
Total nonoperating revenues (expenses)	-	(1,254,763)	-
Income (loss) before contributions, and transfers	(287,490)	(3,049,600)	(303,123)
Capital contributions from other funds	-	-	-
Transfers in	-	2,974,383	-
Transfers out	-	(300,000)	(625,950)
Change in net assets	(287,490)	(375,217)	(929,073)
Total net assets (deficit), July 1	(1,758,817)	(2,484,321)	(20,871,762)
Total net assets (deficit), June 30	$ (2,046,307)	$ (2,859,538)	$ (21,800,835)

See Independent Auditor's Report.

Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liabilty Insurance Fund	Risk Management - All Other Fund
$ 36,661	$ 144,191	$ 1,517,037	$ 3,300,997	$ 2,537,814
-	-	-	-	-
-	-	195,281	-	-
36,661	144,191	1,712,318	3,300,997	2,537,814
-	-	1,455,072	391,369	2,391,808
-	-	-	4,015,135	-
-	-	108,006	263,859	23,873
-	-	360	861	61
-	24,228	38,438	648,085	3,390
-	20,332	958	-	-
-	-	-	2,111	-
-	-	63,294	9,509	2,863
-	-	4,693	8,746	702
36,381	98,894	2,758	29,345	5,155
-	20	2,469	-	-
280	717	20,884	37,493	18,279
-	-	2,485	373	-
-	-	392	1,217	203
-	-	388	653	150
-	-	1,494	18	11
36,661	144,191	1,701,691	5,408,774	2,446,495
-	-	10,627	(2,107,777)	91,319
-	-	1,675	-	-
-	-	-	12,147	-
-	-	1,675	12,147	-
-	-	12,302	(2,095,630)	91,319
-	-	-	-	-
-	-	-	3,000,000	-
-	-	-	-	-
-	-	12,302	904,370	91,319
-	-	217,907	745,262	1,491
$ -	$ -	$ 230,209	$ 1,649,632	$ 92,810

Continued on next page

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Workers' Compensation Fund	Medical Insurance Fund	Dental Insurance Fund
OPERATING REVENUES			
Charges for sales and services	$ 11,000,004	$ 142,015,638	$ 5,622,905
Rental income	-	-	-
Other operating revenues	-	423,093	50
Total operating revenues	11,000,004	142,438,731	5,622,955
OPERATING EXPENSES			
Cost of sales and services	-	-	-
Claims expense	10,095,099	125,624,972	4,932,917
Salaries and benefits	1,194,655	691,259	17,465
Insurance premium expense	4,613	854,756	148
Contractual services	86,755	244,529	30,934
Repairs and maintenance	1,006	528	10
Depreciation	-	-	-
Rental expense	48,066	41,970	1,496
Utilities and property management	33,832	18,992	538
Non-capital equipment purchased	73,246	46,737	10
Promotions and advertising	-	398	2,139
Administrative expenses	182,680	5,453,699	352,765
Supplies and parts	6,136	19,669	136
Distribution and postage	5,115	8,736	441
Travel expenses	5,569	7,499	7
Other operating expenses	4,869	801,977	46
Total operating expenses	11,741,641	133,815,721	5,339,052
Operating income (loss)	(741,637)	8,623,010	283,903
NONOPERATING REVENUES			
Gain (loss) on disposal of capital assets	-	-	-
Investment income (expense)	40,525	40,104	463
Total nonoperating revenues (expenses)	40,525	40,104	463
Income (loss) before contributions, and transfers	(701,112)	8,663,114	284,366
Capital contributions from other funds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Change in net assets	(701,112)	8,663,114	284,366
Total net assets (deficit), July 1	(3,933,967)	10,576,298	22,661
Total net assets (deficit), June 30	$ (4,635,079)	$ 19,239,412	$ 307,027

See Independent Auditor's Report.

Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Human Resources Fund	Total Internal Service Fund
$ 2,080,152	$ 72,654	$ 253,725	$ 3,361,536	$ 256,111,298
-	-	-	-	13,306,677
-	-	-	-	4,477,866
2,080,152	72,654	253,725	3,361,536	273,895,841
-	-	-	-	30,163,411
-	-	-	-	144,668,123
6,959	-	-	3,245,056	34,411,952
2,153,533	194,879	249,697	19,257	4,343,017
13	-	-	50,035	5,377,958
4	-	-	1,872	8,732,833
-	-	-	-	7,896,880
598	-	-	72,553	2,574,599
214	-	-	61,717	11,013,004
4	-	-	9,946	2,329,519
2,115	-	-	3,823	36,170
5,005	-	-	47,991	7,472,880
54	-	-	13,730	10,108,627
177	-	-	981	88,354
3	-	-	10,276	123,745
18	-	-	150	2,676,799
2,168,697	194,879	249,697	3,537,387	272,017,871
(88,545)	(122,225)	4,028	(175,851)	1,877,970
-	-	-	-	(470,790)
1,317	-	-	-	94,556
1,317	-	-	-	(376,234)
(87,228)	(122,225)	4,028	(175,851)	1,501,736
-	-	-	-	(4,855)
-	-	-	-	7,994,383
-	-	-	(130,774)	(1,056,724)
(87,228)	(122,225)	4,028	(306,625)	8,434,540
395,975	139,735	7,293	-	9,363,590
$ 308,747	$ 17,510	$ 11,321	$ (306,625)	$ 17,798,130

STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 17,269,296	$ 3,390,144	$ 2,920,195
Cash paid to suppliers for goods and services	(7,696,311)	(2,089,361)	(1,725,099)
Cash paid to employees for services	(3,620,483)	(895,708)	(1,135,267)
Cash paid to claimants	-	-	-
Other operating revenues	17,197	-	-
Other operating expenses	(14,547)	(161,993)	-
Net cash provided (used) by operating activities	5,955,152	243,082	59,829
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in (out)	1,120,000	-	-
Interfund loans and advances	(2,373,717)	-	(59,829)
Net cash provided (used) by noncapital financing activities	(1,253,717)	-	(59,829)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acqusition and construction of capital assets	(5,012,658)	(40,304)	-
Payment of capital leases	-	-	-
Proceeds from sale of capital assets	803,625	-	-
Net cash (used) by capital and related financing activities	(4,209,033)	(40,304)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investments	-	-	-
Net cash provided by investing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	492,402	202,778	-
Cash and cash equivalents, July 1	-	79,495	-
Cash and cash equivalents, June 30	$ 492,402	$ 282,273	$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ (66,412)	$ 331,086	$ (93,837)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	4,680,607	51,773	-
(Increase)/decrease in accounts receivable	729,308	(120,308)	3,717
(Increase)/decrease in due from other funds	-	-	-
(Increase)/decrease in inventories	(3,197)	(71,800)	-
(Increase)/decrease in prepaid expenses	-	-	-
Increase/(decrease) in accounts payable	556,336	48,100	149,949
Increase/(decrease) in accrued salaries and benefits	58,510	4,077	-
Increase/(decrease) in claims payable	-	-	-
Increase/(decrease) in due to other funds	-	154	-
Increase/(decrease) in deferred revenue	-	-	-
Total adjustments	6,021,564	(88,004)	153,666
Net cash provided (used) by operating activities	$ 5,955,152	$ 243,082	$ 59,829
Noncash investing, capital, and financing activities:			
Contributions of capital assets to/from other funds	(665)	-	-
Retirement of assets not fully depreciated	-	(3,193)	-
Receipt of inventory from other funds on consignment	-	-	-

See Independent Auditors' Report.

Financial & HR Information Fund	Communications & Information Technology Fund	Fleet Fund	E-Procurement Fund	Copy Center Fund
$ 5,461,068	$ 15,448,570	$ 4,251,914	$ 6,333,824	$ 2,014,659
(1,881,428)	(10,749,280)	(2,172,667)	(6,615,285)	(719,314)
(3,507,617)	(5,069,766)	(529,506)	-	(558,770)
-	-	-	-	-
-	-	258,208	-	-
(184)	(906,416)	(5,554)	-	(1,378)
71,839	(1,276,892)	1,802,395	(281,461)	735,197
-	900,000	-	-	-
-	280,603	581,312	281,461	23,193
				-
-	1,180,603	581,312	281,461	23,193
-	(1,805,903)	(2,997,185)	-	(837,644)
-	-	-	-	-
-	-	613,478	-	79,254
-	(1,805,903)	(2,383,707)	-	(758,390)
-	-	-	-	-
-	-	-	-	-
71,839	(1,902,192)	-	-	-
913,475	1,902,192	-	-	-
$ 985,314	$ -	$ -	$ -	$ -
$ 94,577	$ (2,402,890)	$ 554,628	$ -	$ 69,416
5,450	397,201	1,683,379	-	673,668
-	(219,138)	(231,302)	(437,381)	(70,637)
(31,047)	(1,157,660)	(153,980)	-	-
-	-	-	-	-
(45,357)	22,277	-	-	(22,207)
11,758	1,829,616	(49,507)	155,920	81,925
5,447	53,702	(984)	-	13,362
-	-	-	-	-
31,011	200,000	161	-	(10,330)
-	-	-	-	-
(22,738)	1,125,998	1,247,767	(281,461)	665,781
$ 71,839	$ (1,276,892)	$ 1,802,395	$ (281,461)	$ 735,197
-	-	(4,190)	-	-
-	-	-	-	-
-	-	-	-	-

Continued on next page

STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Postage Fund	Facilities Operations Fund	Property Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 3,185,679	$ 22,132,478	$ 9,041,457
Cash paid to suppliers for goods and services	(2,564,521)	(15,453,470)	(13,126,692)
Cash paid to employees for services	(612,264)	(11,661,281)	(1,162,222)
Cash paid to claimants	-	-	-
Other operating revenues	-	3,498,199	85,838
Other operating expenses	(28)	(627,931)	(150,185)
Net cash provided (used) by operating activities	8,866	(2,112,005)	(5,311,804)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in (out)	-	2,674,383	(625,950)
Interfund loans and advances	(8,866)	-	5,937,754
Net cash provided (used) by noncapital financing activities	(8,866)	2,674,383	5,311,804
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acqusition and construction of capital assets	-	(59,732)	-
Payment of capital leases	-	(502,646)	-
Proceeds from sale of capital assets	-	-	-
Net cash (used) by capital and related financing activities	-	(562,378)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investments	-	-	-
Net cash provided by investing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents, July 1	-	-	-
Cash and cash equivalents, June 30	$ -	$ -	$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ (287,490)	$ (1,794,837)	$ (303,123)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	18,367	383,245	1,079
(Increase)/decrease in accounts receivable	(16,726)	(1,660,793)	(92,332)
(Increase)/decrease in due from other funds	-	211,083	(3,949,132)
(Increase)/decrease in inventories	332,343	-	-
(Increase)/decrease in prepaid expenses	-	-	(16,510)
Increase/(decrease) in accounts payable	(44,839)	800,107	38,994
Increase/(decrease) in accrued salaries and benefits	2,652	(48,450)	17,405
Increase/(decrease) in claims payable	-	-	-
Increase/(decrease) in due to other funds	4,559	(2,360)	(1,008,185)
Increase/(decrease) in deferred revenue	-	-	-
Total adjustments	296,356	(317,168)	(5,008,681)
Net cash provided (used) by operating activities	$ 8,866	$ (2,112,005)	$ (5,311,804)
Noncash investing, capital, and financing activities:			
Contributions of capital assets to/from other funds	-	-	-
Retirement of assets not fully depreciated	-	(1,254,763)	-
Receipt of inventory from other funds on consignment	-	-	-

See Independent Auditor's Report.

Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liability Insurance Fund	Risk Management - All Other Fund
$ 608,271	$ 58,719	$ 1,517,340	$ 3,300,997	$ 1,907,764
(93,725)	(144,191)	(1,573,533)	(1,127,448)	(2,244,173)
-	-	(99,702)	(258,466)	(23,272)
-	-	-	(3,274,882)	-
-	-	195,281	-	-
-	-	(1,494)	(18)	(11)
514,546	(85,472)	37,892	(1,359,817)	(359,692)
-	-	-	3,000,000	-
(514,546)	85,472	-	-	359,692
				-
(514,546)	85,472	-	3,000,000	359,692
-	-	-	-	-
-	-	-	-	-
-	-	1,675	-	-
-	-	1,675	-	-
-	-	-	12,147	-
-	-	-	12,147	-
-	-	39,567	1,652,330	-
-	-	222,021	7,185,325	-
$ -	$ -	$ 261,588	$ 8,837,655	$ -
$ -	$ -	$ 10,627	$ (2,107,777)	$ 91,319
-	-	-	2,111	-
571,610	(85,472)	303	-	(630,050)
-	-	1,912	(601)	-
-	-	9,097	-	-
-	-	-	-	-
-	-	18,658	203	178,438
-	-	6,587	5,994	-
-	-	-	740,253	-
(57,064)	-	(195)	-	601
-	-	(9,097)	-	-
514,546	(85,472)	27,265	747,960	(451,011)
$ 514,546	$ (85,472)	$ 37,892	$ (1,359,817)	$ (359,692)
-	-	-	-	-
-	-	-	-	-
-	-	9,097	-	-

Continued on next page

STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Workers' Compensation Fund	Medical Insurance Fund	Dental Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 10,996,772	$ 137,836,031	$ 5,414,374
Cash paid to suppliers for goods and services	(448,149)	(5,846,232)	(364,697)
Cash paid to employees for services	(1,202,222)	(688,884)	(17,517)
Cash paid to claimants	(7,235,542)	(124,857,795)	(4,915,827)
Other operating revenues	-	423,093	50
Other operating expenses	(4,869)	(801,977)	(46)
Net cash provided (used) by operating activities	2,105,990	6,064,236	116,337
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in (out)	-	-	-
Interfund loans and advances	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acqusition and construction of capital assets	-	-	-
Payment of capital leases	-	-	-
Proceeds from sale of capital assets	-	-	-
Net cash (used) by capital and related financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investments	40,525	40,104	463
Net cash provided by investing activities	40,525	40,104	463
Net increase (decrease) in cash and cash equivalents	2,146,515	6,104,340	116,800
Cash and cash equivalents, July 1	19,388,240	22,947,722	247,714
Cash and cash equivalents, June 30	$ 21,534,755	$ 29,052,062	$ 364,514
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ (741,637)	$ 8,623,010	$ 283,903
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	-	-	-
(Increase)/decrease in accounts receivable	-	(4,179,538)	(207,960)
(Increase)/decrease in due from other funds	(3,232)	(10,625)	(571)
(Increase)/decrease in inventories	-	-	-
(Increase)/decrease in prepaid expenses	2,098	19,272	-
Increase/(decrease) in accounts payable	2,627	832,009	23,927
Increase/(decrease) in accrued salaries and benefits	(7,567)	13,000	(52)
Increase/(decrease) in claims payable	2,859,557	767,177	17,090
Increase/(decrease) in due to other funds	(5,856)	-	-
Increase/(decrease) in deferred revenue	-	(69)	-
Total adjustments	2,847,627	(2,558,774)	(167,566)
Net cash provided (used) by operating activities	$ 2,105,990	$ 6,064,236	$ 116,337
Noncash investing, capital, and financing activities:			
Contributions of capital assets to/from other funds	-	-	-
Retirement of assets not fully depreciated	-	-	-
Receipt of inventory from other funds on consignment	-	-	-

See Independent Auditor's Report.

Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Human Resources Fund	Total Internal Service Fund
$ 2,007,613	$ 64,685	$ 244,125	$ 3,360,487	$ 258,766,462
(2,160,170)	(193,223)	(244,553)	(256,782)	(79,490,304)
(6,979)	-	-	(2,936,317)	(33,986,243)
-	-	-	-	(140,284,046)
-	-	-	-	4,477,866
(18)	-	-	(150)	(2,676,799)
(159,554)	(128,538)	(428)	167,238	6,806,936
-	-	-	(130,774)	6,937,659
-	-	-	-	4,592,529
-	-	-	(130,774)	11,530,188
-	-	-	-	(10,753,426)
-	-	-	-	(502,646)
-	-	-	-	1,498,032
-	-	-	-	(9,758,040)
1,317	-	-	-	94,556
1,317	-	-	-	94,556
(158,237)	(128,538)	(428)	36,464	8,673,640
518,584	155,274	65,009	-	53,625,051
$ 360,347	$ 26,736	$ 64,581	$ 36,464	$ 62,298,691
$ (88,545)	$ (122,225)	$ 4,028	$ (175,851)	$ 1,877,970
-	-	-	-	7,896,880
(72,311)	(7,969)	(9,600)	-	(6,736,579)
(228)	-	-	(1,049)	(5,095,130)
-	-	-	-	266,443
-	-	-	-	(40,427)
1,550	1,656	5,144	35,399	4,677,970
(20)	-	-	308,739	432,402
-	-	-	-	4,384,077
-	-	-	-	(847,504)
-	-	-	-	(9,166)
(71,009)	(6,313)	(4,456)	343,089	4,928,966
$ (159,554)	$ (128,538)	$ (428)	$ 167,238	$ 6,806,936
-	-	-	-	(4,855)
-	-	-	-	(1,257,956)
-	-	-	-	9,097

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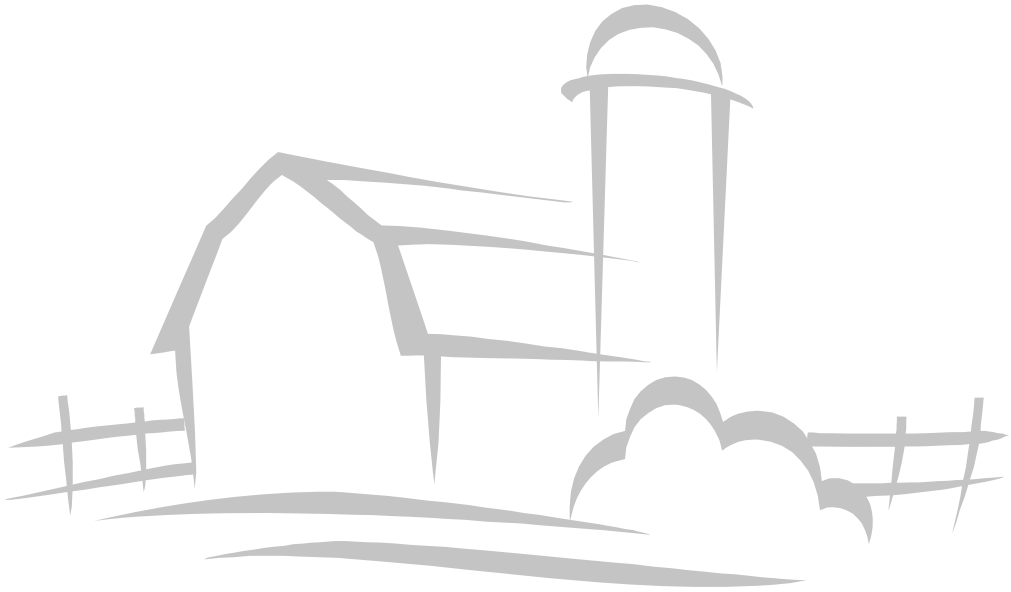

Vermont

Vermont State Retirement Fund – This is the public defined benefit pension plan provided by the State of Vermont for State employees.

State Teachers' Retirement Fund – This is the public defined benefit pension plan provided by the State of Vermont for State teachers.

Vermont Municipal Employees' Retirement Fund – This is the public pension plan administered by the State of Vermont for participating municipalities' employees.

Vermont State Defined Contribution Fund – This is a retirement plan for those exempt State employees that elected to participate in the defined contribution plan for the Vermont State Retirement System.

Single Deposit Investment Account Fund – This is a tax sheltered account funded through employee transfers from a non-contributing system years ago.

Vermont Municipal Employees' Defined Contribution Fund – This is a retirement plan for those participating municipalities' employees that elected to participate in the defined contribution plan for the Vermont Municipal Employees' Retirement Fund.

Vermont State Postemployment Benefits Trust Fund – This fund's purpose is to accumulate and provide reserves to support retiree postemployment benefits for members of the Vermont state employees' retirement system.

Vermont Municipal Employees' Health Benefit Fund – This is a fund established by the Vermont Municipal Employees' Retirement System's Board of Directors as a tax-advantaged savings plan that assists retirees in paying for healthcare costs after retirement.

STATE OF VERMONT
COMBINING STATEMENT OF PLAN NET ASSETS
PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS
JUNE 30, 2012

	Defined Benefit Plans		
	Vermont State Retirement Fund	**State Teachers' Retirement Fund**	**Vermont Municipal Employees' Retirement Fund**
ASSETS			
Cash and short-term investments	$ 4,858,969	$ 3,930,254	$ 428,733
Investments at fair value			
Pooled investments	1,370,104,804	1,483,892,279	410,258,890
Fixed income	-	-	-
Equities	-	-	-
Mutual funds	-	-	-
Total investments	1,370,104,804	1,483,892,279	410,258,890
Receivables			
Contributions - current	3,782,623	3,896,583	2,379,816
Contributions - non-current	-	-	6,774,199
Interest and dividends	2,430	4,702	343,349
Due from other funds	64,614	-	48,607
Other	729	491,774	58,583
Total receivables	3,850,396	4,393,059	9,604,554
Prepaid expenses	-	-	-
Capital assets			
Construction in progress	1,397,090	1,621,844	476,842
Capital assets being depreciated			
Equipment	804,568	975,979	392,836
Less accumulated depreciation	(295,172)	(354,771)	(146,568)
Total capital assets, net of depreciation	1,906,486	2,243,052	723,110
Total assets	1,380,720,655	1,494,458,644	421,015,287
LIABILITIES			
Accounts payable	2,007,016	2,561,646	362,881
Retainage payable	224,143	273,261	111,329
Due to other funds	-	3,836	1,007
Total liabilities	2,231,159	2,838,743	475,217
NET ASSETS HELD IN TRUST FOR EMPLOYEES' PENSION AND OTHER POSTEMPLOYMENT BENEFITS.	$ 1,378,489,496	$ 1,491,619,901	$ 420,540,070

See Independent Auditors' Report.

Defined Contribution Plans			Other Postemployment Benefit Funds			
Vermont State Defined Contribution Fund	Single Deposit Investment Account Fund	Vermont Municipal Employees' Defined Contribution Fund	Vermont State Postemployment Benefits Trust Fund	Municipal Employees' Health Benefit Fund	Eliminations	Total
$ 75,165	$ 1,020,170	$ 83,233	$ 2,756,174	$ 277,004	$ -	$ 13,429,702
-	-	-	-	-	-	3,264,255,973
-	-	-	7,177,476	-	-	7,177,476
-	-	-	3,051,156	-	-	3,051,156
44,994,420	73,054,599	16,493,804	61,067	10,509,325	-	145,113,215
44,994,420	73,054,599	16,493,804	10,289,699	10,509,325	-	3,419,597,820
120,382	-	13,106	-	-	-	10,192,510
-	-	-	-	-	-	6,774,199
-	125	-	-	-	-	350,606
-	-	-	376,775	-	(113,221)	376,775
-	-	-	-	-	-	551,086
120,382	125	13,106	376,775	-	(113,221)	18,245,176
-	-	-	-	-	-	-
-	-	-	-	-	-	3,495,776
-	-	-	-	-	-	2,173,383
-	-	-	-	-	-	(796,511)
-	-	-	-	-	-	4,872,648
45,189,967	74,074,894	16,590,143	13,422,648	10,786,329	(113,221)	3,456,145,346
4,266	-	563	29,197	-	-	4,965,569
-	-	-	-	-	-	608,733
45,204	-	48,607	14,567	-	(113,221)	-
49,470	-	49,170	43,764	-	(113,221)	5,574,302
$ 45,140,497	$ 74,074,894	$ 16,540,973	$ 13,378,884	$ 10,786,329	$ -	$ 3,450,571,044

STATE OF VERMONT
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Defined Benefit Plans		
	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
ADDITIONS			
Contributions			
Employer - pension benefit	$ 40,302,433	$ 41,231,875	$ 11,532,230
Employer - healthcare benefit	-	10,500,000	-
Plan member	27,708,009	31,827,995	11,337,926
Transfers from other pension trust funds	377,562	85,110	118,191
Transfers from non-state systems	-	-	-
Medicare part D drug subsidy	-	1,672,423	-
Early retiree reinsurance program	-	2,747,713	-
Total contributions	68,388,004	88,065,116	22,988,347
Investment Income			
Net appreciation (depreciation) in fair value of investments	251,957	11,718	-
Income from pooled investments	28,591,705	30,472,513	8,733,660
Dividends	-	5,194	-
Interest	13,702	20,304	453,851
Securities lending income	576,926	634,424	173,514
Other income	32,431	38,157	3,701
Total investment income	29,466,721	31,182,310	9,364,726
Less Investment Expenses			
Investment managers and consultants	5,726,752	6,305,871	1,652,847
Securities lending expenses	135,195	149,774	40,415
Total investment expenses	5,861,947	6,455,645	1,693,262
Net investment income	23,604,774	24,726,665	7,671,464
Total additions	91,992,778	112,791,781	30,659,811
DEDUCTIONS			
Retirement benefits	90,170,209	117,801,002	14,214,160
Other postemployment benefits	-	20,620,144	-
Refund of contributions	1,908,752	1,521,099	1,664,687
Death claims	482,483	186,384	187,393
Transfers to other pension trust funds	219,653	205,448	282,206
Depreciation	86,854	108,139	42,420
Operating expenses	1,242,065	1,496,596	630,431
Total deductions	94,110,016	141,938,812	17,021,297
Change in net assets	(2,117,238)	(29,147,031)	13,638,514
Net assets held in trust for employees' pension and postemployment benefits			
July 1	1,380,606,734	1,520,766,932	406,901,556
June 30	$ 1,378,489,496	$ 1,491,619,901	$ 420,540,070

See Independent Auditors' Report.

Defined Contribution Plans			Other Postemployment Benefit Funds			
Vermont State Defined Contribution Fund	Single Deposit Investment Account Fund	Vermont Municipal Employees' Defined Contribution Fund	Vermont State Postemployment Benefits Trust Fund	Municipal Employees' Health Benefit Fund	Eliminations	Total
$ 1,813,629	$ -	$ 659,609	$ -	$ -	$ -	$ 95,539,776
-	-	-	25,865,470	-	-	36,365,470
694,488	-	605,657	-	-	-	72,174,075
110,673	-	15,771	-	-	(707,307)	-
5,009	-	14,485	-	-	-	19,494
-	-	-	1,786,719	-	-	3,459,142
-	-	-	-	-	-	2,747,713
2,623,799	-	1,295,522	27,652,189	-	(707,307)	210,305,670
(1,131,683)	1,040	(529,722)	37,144	62,552	-	(1,296,994)
-	-	-	-	-	-	67,797,878
1,151,379	2,414,165	453,412	98,868	-	-	4,123,018
124	862	335	239,411	938	-	729,527
-	38	-	-	-	-	1,384,902
-	-	-	-	-	-	74,289
19,820	2,416,105	(75,975)	375,423	63,490	-	72,812,620
-	234,679	-	-	58,490	-	13,978,639
-	-	-	-	-	-	325,384
-	234,679	-	-	58,490	-	14,304,023
19,820	2,181,426	(75,975)	375,423	5,000	-	58,508,597
2,643,619	2,181,426	1,219,547	28,027,612	5,000	(707,307)	268,814,267
2,578,550	6,734,383	680,642	-	-	-	232,178,946
-	-	-	25,863,989	213,526	-	46,697,659
-	-	-	-	-	-	5,094,538
-	-	-	-	-	-	856,260
-	-	-	-	-	(707,307)	-
-	-	-	-	-	-	237,413
46,432	-	81,025	275	-	-	3,496,824
2,624,982	6,734,383	761,667	25,864,264	213,526	(707,307)	288,561,640
18,637	(4,552,957)	457,880	2,163,348	(208,526)	-	(19,747,373)
45,121,860	78,627,851	16,083,093	11,215,536	10,994,855	-	3,470,318,417
$ 45,140,497	$ 74,074,894	$ 16,540,973	$ 13,378,884	$ 10,786,329	$ -	$ 3,450,571,044

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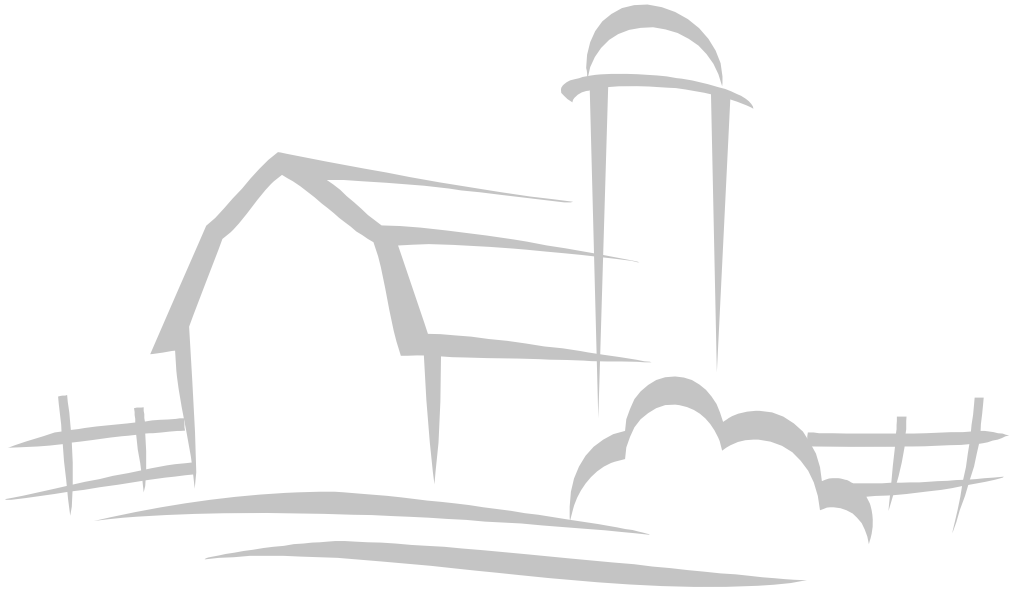

Vermont

Agency Funds' Descriptions

Retirement System Contributions and Withholdings Fund – This fund holds the employees' retirement contributions and withholdings until distribution to the appropriate pension fund.

Federal Income Tax Withholdings Fund – This fund holds employees' federal income tax withholdings until they are paid to the Federal Government.

State Income Tax Withholdings Fund – This fund holds employees' state income tax withholdings are held until they are paid to the State.

Social Security Tax Contributions and Withholdings Fund – This is the fund where employees' FICA withholdings are held until they are paid to the Federal Government.

Employees Credit Union Withholding Fund – This is the fund where employees voluntary withholdings to pay off Vermont State Employees' Credit Union (VSECU) loans or deposits to VSECU accounts (other than net pay) are held until paid to the VSECU.

Employees Insurance Contributions and Withholdings Fund – This is the fund where the State and the State's employees' share of the insurance premiums is held until distribution to the appropriate internal service fund.

Employees Deferred Income Withholdings Fund – This is the fund where the employees' voluntary deferred income withholdings are held until paid to the program administrator.

Other Employee Contributions and Withholdings Fund – This is the fund where other withholdings and contributions (charitable, savings bonds, flexible spending, etc) are held until paid to the appropriate depository.

Vendor and Other Deposits Fund – This is the fund where escrow amounts, advances, garnishments and other miscellaneous agency funds are reported.

Child Support Collections Fund – This is the fund where child support receipts are held until paid to the correct recipient.

STATE OF VERMONT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
RETIREMENT SYSTEM CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash	$ -	$ 93,403,222	$ 93,403,222	$ -
Accounts receivable	1,647	1,836	1,647	1,836
Total assets	$ 1,647	$ 93,405,058	$ 93,404,869	$ 1,836
LIABILITIES				
Due to depositories	$ -	$ 93,403,222	$ 93,403,222	$ -
Interfund payable	1,647	1,836	1,647	1,836
Total liabilities	$ 1,647	$ 93,405,058	$ 93,404,869	$ 1,836
FEDERAL INCOME TAX WITHHOLDING FUND				
ASSETS				
Cash	$ -	$ 47,806,087	$ 47,805,014	$ 1,073
Accounts receivable	2,860	-	2,860	-
Total assets	$ 2,860	$ 47,806,087	$ 47,807,874	$ 1,073
LIABILITIES				
Due to depositories	$ -	$ 47,806,087	$ 47,805,014	$ 1,073
Interfund payable	2,860	-	2,860	-
Total liabilities	$ 2,860	$ 47,806,087	$ 47,807,874	$ 1,073
STATE INCOME TAX WITHHOLDING FUND				
ASSETS				
Cash	$ -	$ 13,199,364	$ 13,199,067	$ 297
Accounts receivable	783	-	783	-
Total assets	$ 783	$ 13,199,364	$ 13,199,850	$ 297
LIABILITIES				
Due to depositories	$ -	$ 13,199,364	$ 13,199,067	$ 297
Interfund payable	783	-	783	-
Total liabilities	$ 783	$ 13,199,364	$ 13,199,850	$ 297
SOCIAL SECURITY TAX CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash	$ 366	$ 57,134,263	$ 57,134,347	$ 282
Total assets	$ 366	$ 57,134,263	$ 57,134,347	$ 282
LIABILITIES				
Due to depositories	$ 366	$ 57,134,263	$ 57,134,347	$ 282
Total liabilities	$ 366	$ 57,134,263	$ 57,134,347	$ 282
EMPLOYEES CREDIT UNION WITHHOLDING FUND				
ASSETS				
Cash	$ -	$ 34,137,585	$ 34,137,585	$ -
Total assets	$ -	$ 34,137,585	$ 34,137,585	$ -
LIABILITIES				
Due to depositories	$ -	$ 34,137,585	$ 34,137,585	$ -
Total liabilities	$ -	$ 34,137,585	$ 34,137,585	$ -
EMPLOYEES INSURANCE CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash	$ 183	$ 111,532,256	$ 111,532,252	$ 187
Total assets	$ 183	$ 111,532,256	$ 111,532,252	$ 187
LIABILITIES				
Due to depositories	$ 183	$ 111,532,256	$ 111,532,252	$ 187
Total liabilities	$ 183	$ 111,532,256	$ 111,532,252	$ 187

See Independent Auditors' Report.

Continued on next page

STATE OF VERMONT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
EMPLOYEES DEFERRED INCOME WITHHOLDINGS FUND				
ASSETS				
Cash	$ -	$ 13,653,992	$ 13,653,992	$ -
Total assets	$ -	$ 13,653,992	$ 13,653,992	$ -
LIABILITIES				
Due to depositories	$ -	$ 13,653,992	$ 13,653,992	$ -
Total liabilities	$ -	$ 13,653,992	$ 13,653,992	$ -
OTHER EMPLOYEE CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash	$ 69,456	$ 8,149,306	$ 8,218,762	$ -
Accounts receivable	40,257	162,143	38,942	163,458
Total assets	$ 109,713	$ 8,311,449	$ 8,257,704	$ 163,458
LIABILITIES				
Due to depositories	$ 69,469	$ 8,147,991	$ 8,217,460	$ -
Interfund payable	40,244	163,458	40,244	163,458
Total liabilities	$ 109,713	$ 8,311,449	$ 8,257,704	$ 163,458
VENDOR AND OTHER DEPOSITS FUND				
ASSETS				
Cash	$ 5,300,642	$ 41,126,470	$ 39,437,667	$ 6,989,445
Taxes receivable	2,639,380	1,779,747	2,639,380	1,779,747
Accounts receivable	1,630,143	2,147,734	2,225,885	1,551,992
Total assets	$ 9,570,165	$ 45,053,951	$ 44,302,932	$ 10,321,184
LIABILITIES				
Amounts held in custody for others	$ 1,731,630	$ 10,531,183	$ 10,428,078	$ 1,834,735
Intergovernmental payables	6,652,452	28,271,232	27,660,003	7,263,681
Other liabilities	1,027,859	5,333,616	5,223,167	1,138,308
Interfund payable	158,224	84,460	158,224	84,460
Total liabilities	$ 9,570,165	$ 44,220,491	$ 43,469,472	$ 10,321,184
CHILD SUPPORT COLLECTIONS FUND				
ASSETS				
Cash	$ 1,383,910	$ 54,747,211	$ 55,106,406	$ 1,024,715
Accounts receivable	2,963	33,190	-	36,153
Total assets	$ 1,386,873	$ 54,780,401	$ 55,106,406	$ 1,060,868
LIABILITIES				
Amounts held in custody for others	$ 1,386,873	$ 54,780,401	$ 55,106,406	$ 1,060,868
Total liabilities	$ 1,386,873	$ 54,780,401	$ 55,106,406	$ 1,060,868
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash	$ 6,754,557	$ 474,889,756	$ 473,628,314	$ 8,015,999
Taxes receivable	2,639,380	1,779,747	2,639,380	1,779,747
Accounts receivable	1,678,653	2,344,903	2,270,117	1,753,439
Total assets	$ 11,072,590	$ 479,014,406	$ 478,537,811	$ 11,549,185
LIABILITIES				
Due to depositories	$ 70,018	$ 379,014,760	$ 379,082,939	$ 1,839
Amounts held in custody for others	3,118,503	65,311,584	65,534,484	2,895,603
Intergovernmental payables	6,652,452	28,271,232	27,660,003	7,263,681
Other liabilities	1,027,859	5,333,616	5,223,167	1,138,308
Interfund payable	203,758	249,754	203,758	249,754
Total liabilities	$ 11,072,590	$ 478,180,946	$ 477,704,351	$ 11,549,185

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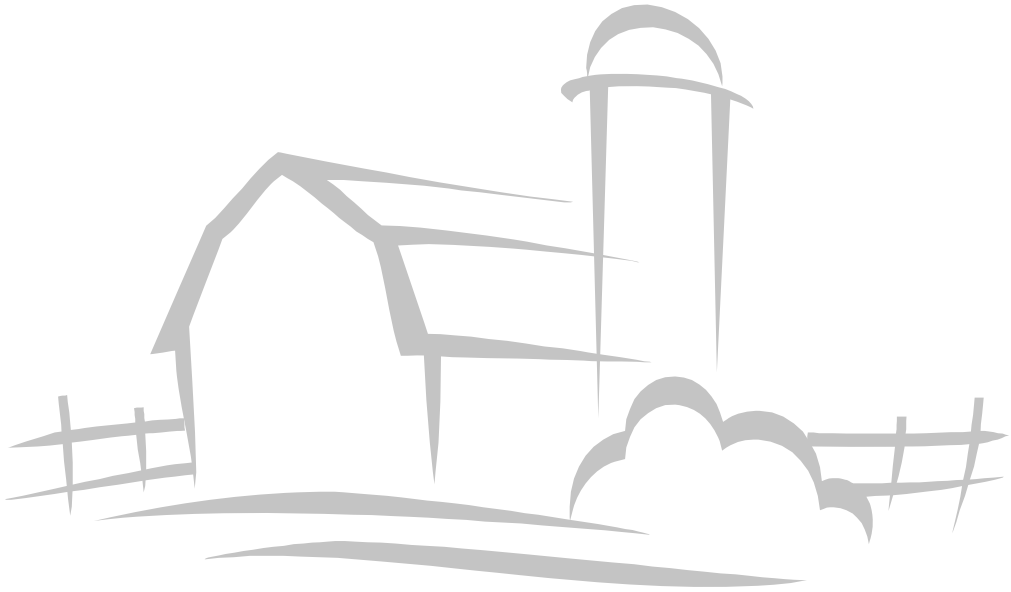

Vermont

Vermont Economic Development Authority – This is a tax-exempt entity whose purpose is to promote economic prosperity within the State of Vermont by providing capital and direct financing to eligible borrowers.

Vermont Housing & Conservation Board – This is a not for profit entity whose mission is to create affordable housing for Vermonters and to conserve and protect agricultural, historic, natural and recreational sites within Vermont.

Vermont Sustainable Jobs Fund – This is a not for profit entity set up to implement a jobs program.

Vermont Municipal Bond Bank – The Bond Bank's purpose is to create large bond issues on behalf of the States' municipalities and loan the proceeds back to the participating municipalities.

Vermont Educational and Health Buildings Financing Agency – This purpose of this agency is to provide tax -exempt financing to libraries, educational and healthcare providers to assist in the purchase and construction of real and personal property.

Vermont Center for Geographic Information, Inc. – This not for profit organization was created to implement and maintain a geographic information system.

Vermont Veterans' Home – The Vet's home provides care to those that have given to their country and the State of Vermont.

Vermont Rehabilitation Corporation – This not for profit organization's purpose is to provide funding to farmers to reduce their investment costs in an effort to help them be successful.

Vermont Film Corporation - This is a non-profit public corporation, created for the purpose of promoting the state as a location for commercial film and television production, and to facilitate the participation of local individuals and companies in such productions.

STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED NON-MAJOR COMPONENT UNITS
JUNE 30, 2012

	Vermont Economic Development Authority 6/30/2012	Vermont Housing & Conservation Board 6/30/2012	Vermont Sustainable Jobs Fund 6/30/2012	Vermont Municipal Bond Bank 12/31/2011	Vermont Educational and Health Buildings Financing Agency 12/31/2011
ASSETS					
Current Assets					
Cash and cash equivalents	$ 3,289,898	$ 7,669,310	$ 524,148	$ 3,428,387	$ 156,500
Investments	3,015,963	-	-	10,308,764	1,011,730
Accounts receivable, net	-	-	-	25,251	-
Accrued interest receivable - loans	372,669	18,020,276	-	2,135,658	-
Loans and notes receivable - current portion	15,592,974	600,788	-	45,151,849	-
Other receivables	-	78,126	99,353	-	-
Due from federal government	-	15,019,829	-	-	-
Due from primary government	-	54,871	-	-	-
Inventories, at cost	-	-	-	-	-
Other current assets and deferred outflows	711,043	7,073,202	1,000	-	-
Total current assets	22,982,547	48,516,402	624,501	61,049,909	1,168,230
Restricted and Noncurrent Assets					
Cash	2,751,128	-	-	370,810	-
Investments	24,040,000	-	382,743	52,528,278	-
Deferred bond issue costs	-	-	-	6,201,211	-
Loans and notes receivable, net	145,958,625	145,228,366	-	474,373,698	-
Other assets	-	-	-	-	-
Total restricted and noncurrent assets	172,749,753	145,228,366	382,743	533,473,997	-
Capital Assets					
Land	500,000	-	-	-	-
Construction in progress	-	-	-	-	-
Capital assets being depreciated					
Buildings and leasehold improvements	5,317,979	225,145	-	-	-
Equipment, furniture and fixtures	852,483	38,037	21,760	-	-
Less accumulated depreciation	(1,154,187)	(93,639)	(16,760)	-	-
Total capital assets, net of depreciation	5,516,275	169,543	5,000	-	-
Total assets	201,248,575	193,914,311	1,012,244	594,523,906	1,168,230
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	535,582	184,951	85,819	78,595	11,758
Accrued interest payable	107,584	-	-	-	-
Bond interest payable	-	-	-	1,986,088	-
Unearned revenue	2,544,991	27,383	410,556	-	-
Other current liabilities	-	19,850,999	-	-	-
Current portion of long-term liabilities	142,100,100	-	-	46,132,907	-
Due to primary government	42,530	-	-	-	-
Escrowed cash deposits	118,107	-	-	-	-
Advances from primary government	2,288,922	-	-	-	-
Total current liabilities	147,737,816	20,063,333	496,375	48,197,590	11,758
Noncurrent Liabilities					
Bonds and notes payable	8,575,279	271,695	-	510,329,651	-
Accrued arbitrge rebate	-	-	-	513,309	-
Other noncurrent liabilities	-	-	-	-	-
Total noncurrent liabilities	8,575,279	271,695	-	510,842,960	-
Total liabilities	156,313,095	20,335,028	496,375	559,040,550	11,758
NET ASSETS					
Invested in capital assets, net of related debt	2,520,425	169,543	5,000	-	-
Restricted	26,832,703	173,275,444	-	24,324,402	-
Unrestricted	15,582,352	134,296	510,869	11,158,954	1,156,472
Total net assets	$ 44,935,480	$ 173,579,283	$ 515,869	$ 35,483,356	$ 1,156,472

See Independent Auditors' Report.

Vermont Center For Geographic Information, Inc. 6/30/2012	Vermont Veterans' Home 6/30/2012	Vermont Rehabilitation Corporation 6/30/2012	Vermont Telecommunications Authority 6/30/2012	Total Non-major Component Units
$ 161,622	$ 868,349	$ 99,922	$ 5,883,958	$ 22,082,094
-	-	-	-	14,336,457
90,247	2,468,403	-	-	2,583,901
-	-	8,033	-	20,536,636
-	-	30,000	-	61,375,611
-	-	-	17,073	194,552
-	258,195	-	991,121	16,269,145
-	-	-	-	54,871
-	145,198	-	-	145,198
10,773	-	-	6,084	7,802,102
262,642	3,740,145	137,955	6,898,236	145,380,567
-	-	-	-	3,121,938
-	-	-	-	76,951,021
-	-	-	-	6,201,211
-	-	90,000	-	765,650,689
-	6,037	-	-	6,037
-	6,037	90,000	-	851,930,896
-	321,468	-	-	821,468
-	44,305	-	223,332	267,637
-	25,344,562	-	-	30,887,686
141,188	3,449,765	-	56,822	4,560,055
(99,815)	(15,121,737)	-	(16,169)	(16,502,307)
41,373	14,038,363	-	263,985	20,034,539
304,015	17,784,545	227,955	7,162,221	1,017,346,002
80,291	1,400,426	-	1,806,597	4,184,019
-	-	-	-	107,584
-	-	-	-	1,986,088
273	50,981	-	-	3,034,184
-	11,173	-	-	19,862,172
-	-	-	-	188,233,007
-	-	-	-	42,530
-	-	-	-	118,107
-	-	-	-	2,288,922
80,564	1,462,580	-	1,806,597	219,856,613
-	-	-	-	519,176,625
-	-	-	-	513,309
-	5,584	-	-	5,584
-	5,584	-	-	519,695,518
80,564	1,468,164	-	1,806,597	739,552,131
41,373	14,038,363	-	263,985	17,038,689
-	-	-	5,022,629	229,455,178
182,078	2,278,018	227,955	69,010	31,300,004
$ 223,451	$ 16,316,381	$ 227,955	$ 5,355,624	$ 277,793,871

STATE OF VERMONT
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2012

	Vermont Economic Development Authority 6/30/2012	Vermont Housing & Conservation Board 6/30/2012	Vermont Sustainable Jobs Fund 6/30/2012	Vermont Municipal Bond Bank 12/31/2011	Vermont Educational and Health Buildings Financing Agency 12/31/2011
Expenses					
Salaries and benefits	$ 2,797,027	$ 2,101,928	$ 451,200	$ 92,603	$ 45,990
Other expenses	2,522,834	16,028,014	1,086,946	23,769,824	149,827
Depreciation	242,737	16,278	-	-	-
Interest on debt	1,746,764	-	-	-	-
Total expenses	7,309,362	18,146,220	1,538,146	23,862,427	195,817
Program Revenues					
Charges for services	6,646,363	-	93,076	22,427,347	154,329
Operating grants and contributions	2,457,676	15,634,970	1,582,172	-	-
Capital grants and contributions	-	-	-	-	-
Total program revenues	9,104,039	15,634,970	1,675,248	22,427,347	154,329
Net revenue (expense)	1,794,677	(2,511,250)	137,102	(1,435,080)	(41,488)
General revenues					
Property transfer tax	-	8,047,500	-	-	-
Investment income	488,979	2,278,318	-	5,747,232	-
Miscellaneous	-	41,131	-	-	-
Total general revenues	488,979	10,366,949	-	5,747,232	-
Changes in net assets	2,283,656	7,855,699	137,102	4,312,152	(41,488)
Net assets (deficit) - beginning, as restated	42,651,824	165,723,584	378,767	31,171,204	1,197,960
Net assets - ending	$ 44,935,480	$ 173,579,283	$ 515,869	$ 35,483,356	$ 1,156,472

See Independent Auditor's Report

Vermont Center For Geographic Information, Inc. 6/30/2012	Vermont Veterans' Home 6/30/2012	Vermont Rehabilitation Corporation 6/30/2012	Vermont Film Corporation 6/30/2012	Vermont Telecommunications Authority 6/30/2012	Total Non-major Component Units
$ 513,162	$ 12,839,711	$ -	$ -	$ 763,117	$ 19,604,738
654,518	6,617,175	-	-	15,523,984	66,353,122
9,695	993,232	-	-	6,408	1,268,350
-	-	-	-	-	1,746,764
1,177,375	20,450,118	-	-	16,293,509	88,972,974
784,657	17,356,695	-	-	-	47,462,467
378,700	1,944,603	-	-	13,413,560	35,411,681
-	991,058	-	-	-	991,058
1,163,357	20,292,356	-	-	13,413,560	83,865,206
(14,018)	(157,762)	-	-	(2,879,949)	(5,107,768)
-	-	-	-	-	8,047,500
-	68	287	-	18,265	8,533,149
-	733,796	-	2,160	-	777,087
-	733,864	287	2,160	18,265	17,357,736
(14,018)	576,102	287	2,160	(2,861,684)	12,249,968
237,469	15,740,279	227,668	(2,160)	8,217,308	265,543,903
$ 223,451	$ 16,316,381	$ 227,955	$ -	$ 5,355,624	$ 277,793,871

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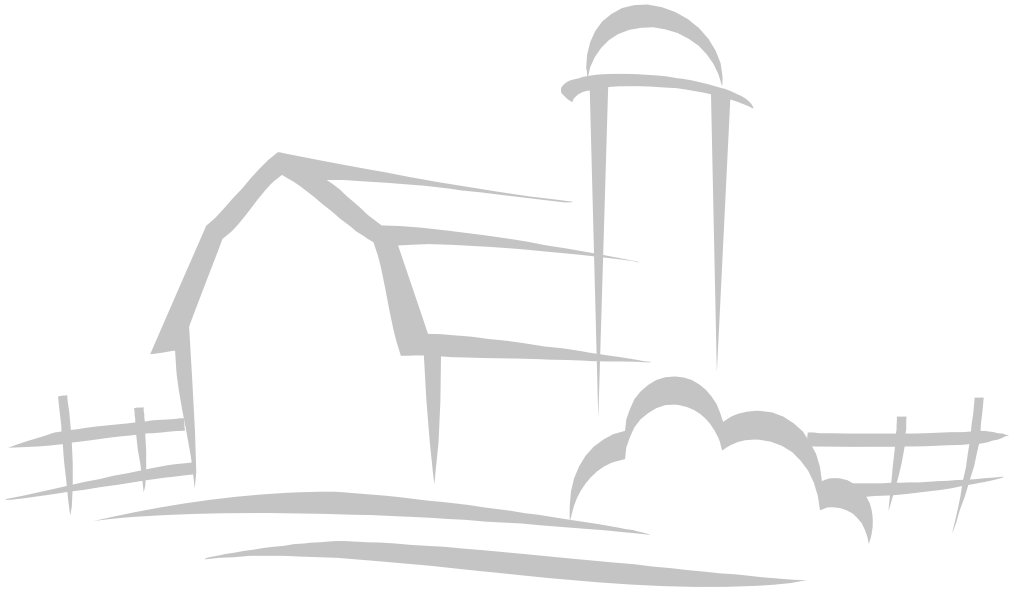

Vermont

STATISTICAL SECTION CONTENTS
JUNE 30, 2012

The Statistical Section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the State of Vermont's overall financial health. Below is a summary of the components and purpose of the tables provided in this section.

Financial Trends – Tables 1 through 4
These schedules contain trend information extracted from the State's financial statements, to help the reader understand how the State's financial performance and financial position have changed over time.

Revenue Capacity – Tables 5 through 7
These schedules contain information to help the reader assess the State's most significant revenue source – the personal income tax.

Debt Capacity – Tables 8 and 9
These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt, the State's ability to issue additional debt in the future, and related historical trend data.

Demographic and Economic Information – Tables 10 and 11
These schedules contain demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Operating Indicators – Tables 12 through 14
These schedules contain service levels and capital asset data to help the reader understand how the information in the State's financial report relates to the services the State provides to its citizens and visitors.

This information is unaudited.

STATE OF VERMONT
Statistical Section - Table 1
Financial Trends
Net Assets by Component, Last Ten Fiscal Years
(accrual basis of accounting)
(expressed in thousands)

	2012	2011	2010	2009
Primary Government				
Governmental Activities				
Invested in capital assets, net of related debt	$ 1,727,652	$ 1,607,970	$ 1,456,846	$ 1,318,708
Restricted	499,377	491,166	117,250	121,701
Unrestricted	(582,203)	(505,129)	(254,502)	(280,552)
Total governmental activities net assets	1,644,826	1,594,007	1,319,594	1,159,857
Business-type Activities				
Invested in capital assets, net of related debt	745	857	944	937
Restricted	26,216	-	963	78,452
Unrestricted	5,244	(6,476)	3,057	3,656
Total business-type activities net assets	32,205	(5,619)	4,964	83,045
Primary Government Totals				
Invested in capital assets, net of related debt	1,728,397	1,608,827	1,457,790	1,319,645
Restricted	525,593	491,166	118,213	200,153
Unrestricted	(576,959)	(511,605)	(251,445)	(276,896)
Total primary government net assets	$ 1,677,031	$ 1,588,388	$ 1,324,558	$ 1,242,902
Discretely Presented Component Units				
Invested in capital assets, net of related debt	$ 142,584	$ 145,157	$ 139,623	$ 190,955
Restricted	803,221	807,031	728,751	610,237
Unrestricted	126,560	141,397	130,072	116,630
Total discretely presented units net assets	$ 1,072,365	$ 1,093,585	$ 998,446	$ 917,822

See Independent Auditor's Report

2008	2007	2006	2005	2004	2003
$ 1,245,908	$ 1,161,200	$ 1,080,092	$ 1,055,464	$ 1,001,389	$ 928,021
117,117	143,355	167,490	111,943	121,352	90,218
(112,440)	(27,414)	(85,684)	(69,649)	(67,099)	(169,421)
1,250,585	1,277,141	1,161,898	1,097,758	1,055,642	848,818
584	412	372	484	465	534
169,206	194,832	209,321	227,856	238,548	264,989
3,328	3,743	4,015	3,846	3,530	3,122
173,118	198,987	213,708	232,186	242,543	268,645
1,246,492	1,161,612	1,080,464	1,055,948	1,001,854	928,555
286,323	338,187	376,811	339,799	359,900	355,207
(109,112)	(23,671)	(81,669)	(65,803)	(63,569)	(166,299)
$ 1,423,703	$ 1,476,128	$ 1,375,606	$ 1,329,944	$ 1,298,185	$ 1,117,463
$ 171,918	$ 165,901	$ 165,431	$ 171,459	$ 151,213	$ 154,068
605,214	606,080	516,629	470,245	446,998	404,227
180,870	231,293	239,323	215,839	205,625	182,060
$ 958,002	$ 1,003,274	$ 921,383	$ 857,543	$ 803,836	$ 740,355

STATE OF VERMONT
Statistical Section - Table 2
Financial Trends
Changes in Net Assets, Last Ten Fiscal Years
(accrual basis of accounting)
(expressed in thousands)

	2012	2011	2010	2009
Governmental activities				
Expenses				
General government	$ 185,484	$ 161,192	$ 169,294	$ 116,802
Protection to persons and property	328,292	325,959	266,916	280,434
Human services	2,013,616	1,969,294	1,861,517	1,750,911
Labor	30,004	32,194	35,774	29,071
General education	1,680,443	1,670,517	1,688,315	1,657,335
Natural resources	91,452	106,875	73,004	98,136
Commerce and community development	38,782	48,206	71,762	33,310
Transportation	542,055	390,837	324,660	308,457
Public service enterprises	-	-	2,732	3,894
Interest on long-term debt	19,776	20,888	18,599	18,714
Total expenses	4,929,904	4,725,962	4,512,573	4,297,064
Program revenues				
Charges for services				
General government	50,734	22,092	22,037	23,076
Protection to persons and property	144,071	150,756	137,883	151,730
Human services	34,765	22,759	20,498	22,311
Natural resources	26,915	24,974	23,934	23,749
Transportation	121,345	119,422	108,229	81,435
Other	17,048	16,956	15,330	15,838
Operating grants and contributions	1,590,271	1,703,947	1,669,593	1,315,550
Capital grants and contributions	306,956	314,577	232,155	165,844
Total program revenues	2,292,105	2,375,483	2,229,659	1,799,533
Total governmental activities net program expense	(2,637,799)	(2,350,479)	(2,282,914)	(2,497,531)
General revenues and other changes in net assets				
Taxes				
Personal and corporate income	696,664	677,862	563,170	572,032
Sales and use	347,283	323,353	316,755	317,599
Meals and rooms	128,592	122,558	118,926	117,842
Purchase and use	81,909	76,994	69,828	65,862
Motor fuel	61,791	63,712	64,061	64,303
Statewide property	913,639	917,936	909,758	876,408
Other taxes	397,012	379,269	333,770	326,519
Unrestricted investment earnings	998	2,966	3,448	2,636
Tobacco litigation settlement	34,519	33,864	36,216	42,879
Miscellaneous	3,254	4,159	3,364	2,178
Transfers	22,958	22,026	23,355	21,945
Extraordinary item				
Gain (loss) on forgiveness of debt	-	-	-	-
Total general revenues and other changes in net assets	2,688,619	2,624,699	2,442,651	2,410,203
Total governmental activities change in net assets	$ 50,820	$ 274,220	$ 159,737	$ (87,328)

See Independent Auditor's Report

2008	2007	2006	2005	2004	2003
$ 101,536	$ 114,688	$ 110,055	$ 130,521	$ 98,474	$ 51,574
259,691	255,621	233,163	213,426	196,014	186,818
1,652,680	1,518,969	1,445,868	1,392,266	1,299,866	1,185,924
28,020	24,740	21,154	20,583	26,290	27,907
1,614,447	1,622,441	1,555,674	1,446,411	1,149,533	1,096,988
95,657	85,901	82,814	78,422	72,892	69,460
36,954	31,947	32,252	35,651	29,863	33,849
310,702	307,899	301,626	269,066	251,789	236,214
4,503	1,890	1,994	1,650	1,898	1,898
19,361	20,072	21,047	19,307	22,591	26,358
4,123,551	3,984,168	3,805,647	3,607,303	3,149,210	2,916,990
20,973	52,384	46,749	59,498	44,679	11,603
112,100	115,546	97,700	78,017	81,276	79,397
15,683	14,807	33,475	20,717	22,778	30,391
25,514	23,078	23,868	24,438	20,829	18,963
86,370	86,295	74,646	69,299	68,374	63,779
12,857	7,511	4,789	4,355	7,762	7,518
1,182,605	1,083,832	1,072,042	1,032,577	1,096,789	935,183
151,735	167,181	128,658	130,646	113,007	116,023
1,607,837	1,550,634	1,481,927	1,419,547	1,455,494	1,262,857
(2,515,714)	(2,433,534)	(2,323,720)	(2,187,756)	(1,693,716)	(1,654,133)
698,305	679,886	612,566	568,059	496,302	404,948
336,164	332,314	327,075	312,395	264,337	205,206
119,758	116,888	111,570	111,980	109,915	95,355
79,084	80,591	80,987	84,047	86,363	82,089
65,080	65,427	67,580	67,335	68,654	71,258
798,905	878,714	813,588	732,330	487,535	453,868
317,438	331,017	317,187	294,257	329,544	284,253
8,732	11,286	7,426	6,664	3,130	4,602
38,236	24,986	24,057	26,206	25,820	30,545
3,555	3,432	2,277	5,875	7,195	2,447
23,900	24,236	23,548	20,723	19,957	16,582
-	-	-	-	-	(7,500)
2,489,157	2,548,777	2,387,861	2,229,871	1,898,752	1,643,653
$ (26,557)	$ 115,243	$ 64,141	$ 42,115	$ 205,036	$ (10,480)

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STATE OF VERMONT
Statistical Section - Table 2
Financial Trends
Changes in Net Assets, Last Ten Fiscal Years
(accrual basis of accounting)
(expressed in thousands)

	2012	2011	2010	2009
Business-type activities				
Expenses				
Vermont Lottery Commission	$ 78,556	$ 74,147	$ 75,940	$ 74,895
Liquor Control	50,519	47,928	47,059	46,377
Unemployment Compensation	139,340	190,679	293,674	214,561
Other	5,394	4,761	1,943	2,471
Total expenses	273,809	317,515	418,616	338,304
Program revenues				
Charges for services				
Vermont Lottery Commission	100,931	95,543	97,485	95,983
Liquor Control	51,700	50,249	47,986	47,789
Unemployment Compensation	138,550	116,323	215,334	117,920
Other	5,011	4,423	1,738	2,341
Operating grants and contributions	38,239	62,445	-	-
Total program revenues	334,431	328,983	362,543	264,033
Total busines-type activities net program expense	60,622	11,468	(56,073)	(74,271)
General revenues and other changes in net assets				
Unrestricted investment earnings	160	(23)	1,417	6,035
Miscellaneous	-	12	-	9
Capital asset transfers	-	-	-	-
Transfers	(22,958)	(22,026)	(23,355)	(21,945)
Total general revenues and other changes in net assets	(22,798)	(22,037)	(21,938)	(15,901)
Total business-type activities change in net assets	$ 37,824	$ (10,569)	$ (78,011)	$ (90,172)
Total primary government change in net assets	$ 88,644	$ 263,651	$ 81,726	$ (177,500)
Component units				
Expenses				
Vermont Student Assistance Corporation	$ 101,216	$ 111,490	$ 123,148	$ 153,088
University of Vermont and State Agricultural College	614,136	609,156	581,900	577,357
Vermont State Colleges	191,327	184,785	179,282	165,975
Vermont Housing Finance Agency	37,065	40,224	43,487	51,877
Other	88,973	69,851	64,479	74,103
Total expenses	1,032,717	1,015,506	992,296	1,022,400
Program revenues				
Charges for services				
Vermont Student Assistance Corporation	59,239	63,072	63,758	82,628
University of Vermont and State Agricultural College	359,596	344,995	331,072	314,917
Vermont State Colleges	117,848	113,624	111,308	105,179
Vermont Housing Finance Agency	704	1,153	1,121	728
Other	47,462	47,990	46,144	44,077
Operating grants and contributions	361,803	379,585	372,492	337,110
Capital grants and contributions	9,836	17,535	59,243	11,847
Total program revenues	956,489	967,954	985,138	896,486
Total component units net program expense	(76,228)	(47,552)	(7,158)	(125,914)
General revenues and other changes in net assets				
Taxes	8,048	6,102	6,101	12,464
Unrestricted investment earnings	44,142	117,674	49,250	(13,250)
Other	10,589	18,916	32,381	2,263
Extraordinary items				
Gain (loss) on forgiveness of debt	-	-	-	-
Loss on extinguishment of debt	-	-	-	-
Total general revenues and other changes in net assets	62,779	142,692	87,732	1,477
Total component units changes in net assets	$ (13,450)	$ 95,140	$ 80,574	$ (124,437)

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2008	2007	2006	2005	2004	2003
$ 79,596	$ 81,225	$ 82,263	$ 71,720	$ 72,320	$ 63,651
45,312	43,187	40,512	38,155	36,236	34,357
98,955	94,396	85,483	79,968	99,550	130,316
3,140	2,937	2,948	3,873	2,727	3,026
227,003	221,745	211,206	193,716	210,833	231,350
102,001	104,551	104,879	92,600	92,389	79,413
45,927	43,994	41,480	39,209	36,666	34,254
65,327	70,821	57,428	57,250	58,541	63,633
3,027	2,599	2,649	2,919	2,604	2,920
-	-	-	-	-	-
216,282	221,965	206,436	191,978	190,200	180,220
(10,721)	220	(4,770)	(1,738)	(20,633)	(51,130)
8,740	9,286	9,832	12,389	14,502	18,011
11	9	8	(275)	16	3
-	-	-	(40)	-	-
(23,900)	(24,236)	(23,548)	(20,723)	(19,958)	(16,583)
(15,149)	(14,941)	(13,708)	(8,649)	(5,440)	1,431
$ (25,870)	$ (14,721)	$ (18,478)	$ (10,387)	$ (26,073)	$ (49,699)
$ (52,427)	$ 100,522	$ 45,663	$ 31,728	$ 178,963	$ (60,179)
$ 199,476	$ 176,918	$ 154,884	$ 130,083	$ 94,333	$ 93,829
559,961	505,403	453,127	423,317	406,661	379,503
154,615	141,662	135,103	125,540	118,800	106,498
NA	NA	NA	NA	NA	NA
65,527	70,646	61,848	58,683	61,499	61,390
979,579	894,629	804,962	737,623	681,293	641,220
106,106	106,540	84,537	65,044	59,562	57,775
290,105	262,342	241,837	215,925	201,196	182,705
95,772	91,035	83,361	76,557	69,422	58,679
NA	NA	NA	NA	NA	NA
45,211	44,386	41,441	41,326	37,405	37,124
344,598	343,609	335,395	317,304	302,914	285,898
14,506	19,094	10,651	16,618	9,857	12,350
896,298	867,006	797,222	732,774	680,356	634,531
(83,281)	(27,623)	(7,740)	(4,849)	(937)	(6,689)
15,483	13,764	15,671	12,604	12,604	11,088
19,393	93,754	55,018	45,837	53,154	27,195
2,048	1,504	891	65	205	62
-	-	-	-	-	7,500
-	-	-	-	-	(756)
36,924	109,022	71,580	58,506	65,963	45,089
$ (46,357)	$ 81,399	$ 63,840	$ 53,657	$ 65,026	$ 38,400

STATE OF VERMONT
Statistical Section - Table 3
Financial Trends
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(expressed in thousands)

	2012	2011	2010	2009
General Fund (GASB 54)				
Nonspendable	$ 2,059	$ 2,204	$ -	$ -
Restricted	-	-	-	-
Committed	18,502	60,165	-	-
Assigned	6,834	5,364	-	-
Unassigned	150,986	146,642	-	-
General Fund (before GASB 54)				
Reserved	-	-	67,159	103,187
Unreserved	-	-	72,503	46,713
Total General Fund	$ 178,381	$ 214,376	$ 139,662	$ 149,900
All Other Governmental Funds (GASB 54)				
Nonspendable	$ 7,416	$ 7,416	$ -	$ -
Restricted	482,743	468,530	-	-
Committed	200,626	179,819	-	-
Assigned	-	323	-	-
Unassigned	(2,065)	(1,331)	-	-
All Other Governmental Funds (before GASB 54)				
Reserved	-	-	78,692	71,115
Unreserved, reported in				
Special revenue funds	-	-	215,804	98,211
Capital projects funds	-	-	21,850	24,758
Permanent funds	-	-	12,389	11,900
Total All Other Governmental Funds	$ 688,720	$ 654,757	$ 328,735	$ 205,984

In 2011 the State implemented GASB Statement No. 54. Under GASB Statement No. 54, fund balances are classified as Nonspendable, Reserved, Committed, Assigned or Unassigned. Prior to GASB 54, fund balances were classified as Reserved or Unreserved. Amounts for fiscal years 2010 and earlier have not been restated to reclassify these balances.

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2008	2007	2006	2005	2004	2003
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
101,265	94,973	93,133	95,058	92,751	52,691
54,458	68,057	68,317	68,610	61,975	47,062
$ 155,723	$ 163,030	$ 161,450	$ 163,668	$ 154,726	$ 99,753
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
75,076	70,650	79,808	63,821	61,818	46,533
145,881	160,166	156,102	127,909	143,967	66,061
32,616	26,294	22,097	20,817	36,363	37,300
11,269	11,547	9,637	4,414	1,791	1,705
$ 264,842	$ 268,657	$ 267,644	$ 216,961	$ 243,939	$ 151,599

STATE OF VERMONT
Statistical Section - Table 4
Financial Trends
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(expressed in thousands)

	2012	2011	2010	2009
Revenues				
Taxes	$ 2,604,185	$ 2,539,488	$ 2,370,547	$ 2,372,150
Fees	116,636	105,503	85,052	82,561
Sales of services, rents and leases	21,009	18,218	21,002	23,723
Federal grants	1,887,156	2,008,105	1,926,853	1,426,347
Fines, forfeits and penalties	22,302	17,729	21,446	27,089
Investment income	2,993	6,337	5,553	4,056
Licenses	105,104	103,479	102,449	94,517
Special assessments	69,750	60,474	65,675	59,196
Other revenues	100,452	90,179	79,185	86,115
Total revenues	4,929,587	4,949,512	4,677,762	4,175,754
Expenditures				
General government	153,865	140,016	139,166	96,344
Protection to persons and property	318,406	302,765	265,368	265,402
Human services	2,008,480	1,956,180	1,857,822	1,717,878
Labor	17,728	19,551	19,781	13,565
General education	1,629,885	1,618,734	1,623,796	1,583,191
Natural resources	89,833	100,830	95,142	111,567
Commerce and community development	37,771	35,435	70,515	19,941
Transportation	633,113	536,660	448,047	379,344
Public service enterprises	-	-	2,732	3,893
Capital outlay	55,652	78,421	73,584	56,289
Debt service				
Interest	22,293	23,754	22,727	23,369
Principal	50,098	48,158	48,015	48,090
Total expenditures	5,017,124	4,860,504	4,666,695	4,318,873
Excess of revenues over (under) expenditures	(87,537)	89,008	11,067	(143,119)
Other financing sources (uses)				
Proceeds from the sale of bonds	63,000	89,400	72,000	50,500
Proceeds from the sale of refunding bonds	69,060	-	42,310	-
Premium on the sale of bonds	12,721	1,602	1,457	1,850
Payment to bond escrow agent	(79,023)	-	(42,230)	-
Premium on the sale of short-term notes	-	-	-	-
Transfers in	929,060	783,696	1,332,246	1,328,985
Transfers out	(909,314)	(758,137)	(1,304,333)	(1,302,897)
Total other financing sources (uses)	85,505	116,561	101,450	78,438
Extraordinary item				
Loss on forgiveness of debt	-	-	-	-
Net change in fund balances	$ (2,032)	$ 205,569	$ 112,517	$ (64,681)
Debt service as a percentage of noncapital expenditures	1.51%	1.57%	1.54%	1.68%

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2008	2007	2006	2005	2004	2003
$ 2,409,101	$ 2,460,571	$ 2,337,341	$ 2,160,131	$ 1,831,302	$ 1,615,245
61,444	70,221	52,813	58,291	46,613	47,770
17,697	13,724	13,455	13,251	14,212	14,032
1,317,932	1,243,958	1,195,619	1,149,687	1,195,394	1,036,189
21,972	19,315	19,172	19,383	22,136	15,151
11,994	17,317	11,469	7,906	4,580	5,562
96,079	92,593	82,772	79,897	78,414	71,827
44,802	29,062	27,320	25,154	25,866	22,454
80,021	71,338	58,328	69,137	77,711	85,138
4,061,042	4,018,099	3,798,289	3,582,837	3,296,228	2,913,368
85,545	66,605	63,455	69,638	59,421	56,610
250,028	247,732	227,085	222,239	200,556	184,258
1,637,940	1,521,057	1,433,190	1,397,574	1,298,524	1,200,629
27,056	24,488	21,090	20,946	26,193	27,905
1,533,340	1,609,653	1,513,712	1,414,259	1,119,928	1,067,249
97,321	97,456	93,673	82,298	76,195	84,602
35,465	30,608	30,843	35,026	28,628	32,964
369,815	379,347	321,421	310,061	289,728	284,979
4,502	1,890	1,994	1,650	1,898	1,898
37,208	37,035	43,063	52,774	41,196	40,702
22,083	23,033	21,959	22,005	27,213	23,688
46,615	46,097	45,272	45,348	43,621	49,526
4,146,918	4,085,001	3,816,757	3,673,818	3,213,101	3,055,010
(85,876)	(66,902)	(18,468)	(90,981)	83,127	(141,642)
46,000	44,500	45,000	41,000	42,200	35,800
29,195	-	-	23,267	146,554	31,555
798	305	744	93	1,839	2,414
(29,375)	-	-	(22,432)	(146,072)	(33,778)
-	-	-	-	-	679
1,212,740	1,092,593	1,155,078	478,210	438,310	401,290
(1,184,603)	(1,067,903)	(1,133,889)	(447,193)	(418,645)	(382,223)
74,755	69,495	66,933	72,945	64,186	55,737
-	-	-	-	-	(2,205)
$ (11,121)	$ 2,593	$ 48,465	$ (18,036)	$ 147,313	$ (88,110)
1.67%	1.71%	1.78%	1.86%	2.23%	2.43%

STATE OF VERMONT
Statistical Section - Table 5
Revenue Capacity
Personal Income and Earnings by Major Industry
Last Ten Fiscal Years
(expressed in thousands)

	2012 (1)	2011	2010	2009
Total personal income	$ 26,717,000	$ 26,041,860	$ 24,870,824	$ 24,074,284
Earnings	*18,089,000*	*17,774,547*	*17,179,187*	*16,597,550*
Farm earnings	205,000	227,953	164,785	112,904
Non-farm earnings	17,884,000	17,546,594	17,014,402	16,484,646
Private earnings	*14,489,000*	*14,198,187*	*13,709,753*	*13,260,534*
Forestry, fishing and related activities	99,000	86,785	83,094	64,324
Mining	41,000	42,554	42,127	45,646
Utilities	277,000	259,827	257,515	230,574
Construction	1,279,000	1,235,892	1,198,678	1,118,346
Manufacturing	*2,144,000*	*2,141,585*	*2,090,254*	*2,064,521*
Durable goods	1,604,000	1,609,474	1,581,717	1,578,985
Nondurable goods	540,000	532,111	508,537	485,536
Wholesale trade	686,000	671,765	637,967	625,335
Retail trade	1,481,000	1,429,967	1,374,312	1,343,083
Transportation and warehousing	392,000	398,477	380,521	371,396
Information	303,000	323,039	318,269	326,265
Finance and insurance	772,000	787,396	770,300	741,202
Real estate, rental and leasing	237,000	253,905	250,409	237,894
Professional and technical services	1,443,000	1,370,831	1,333,919	1,247,431
Management of companies and enterprises	124,000	133,992	84,816	72,513
Administrative and waste services	455,000	429,110	386,413	385,749
Education services	551,000	541,723	524,080	548,104
Healthcare and social assistance	2,593,000	2,545,245	2,499,024	2,423,707
Arts, entertainment and recreation	161,000	146,302	140,929	133,476
Accomodations and food services	767,000	741,555	702,338	667,886
Other services, except public administration	684,000	658,237	634,788	613,082
Government and government enterprises	*3,395,000*	*3,348,407*	*3,304,649*	*3,224,112*
Federal, civilian	678,000	656,462	639,093	614,217
Military	196,000	201,609	211,627	209,357
State and local	*2,521,000*	*2,490,336*	*2,453,929*	*2,400,538*
State	NA	1,028,124	1,014,080	1,007,098
Local	NA	1,462,212	1,439,849	1,393,440
Other personal income [2]	8,628,000	8,267,313	7,691,637	7,476,734
Averge effective tax rate [3]	NA	2.17%	2.11%	2.11%

(1) Data for 2012 are projected annual estimates based on information through 2012 second quarter. The estimates for 2011 and forward are based on the 2012 North American Industry Classification Systemt ("NAICS"). Prior years are based on the 2002 NAICS.
(2) Includes non-earned income, such as interest and dividends, rental income, and government transfers to individuals.
(3) Total direct tax rate is not available. Average effective tax rate equals personal income tax collections (see Statistical Section Table 6) divided by total personal income. Source of collections data: Vermont Department of Taxes

Source: U.S. Department of Commerce, Bureau of Economic Analysis

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2008	2007	2006	2005	2004	2003
$ 24,612,413	$ 23,580,349	$ 22,341,107	$ 20,696,717	$ 20,234,033	$ 19,129,031
16,925,350	*16,635,681*	*16,209,792*	*15,604,465*	*15,058,428*	*14,164,416*
179,609	219,773	118,967	200,205	190,269	145,052
16,745,741	16,415,908	16,090,825	15,404,260	14,868,159	14,019,364
13,629,921	*13,470,864*	*13,238,000*	*12,665,189*	*12,276,011*	*11,584,570*
65,139	65,336	68,742	65,246	65,014	63,919
52,542	58,173	58,027	39,253	41,761	42,300
233,223	211,256	204,133	190,808	191,118	166,481
1,217,990	1,336,623	1,384,515	1,285,834	1,241,858	1,127,566
2,239,164	*2,274,079*	*2,219,880*	*2,207,583*	*2,163,479*	*2,131,815*
1,726,329	1,754,857	1,708,263	1,695,901	1,655,889	1,632,028
512,835	519,222	511,617	511,682	507,590	499,787
654,113	663,943	645,792	608,201	592,574	579,787
1,374,205	1,371,704	1,382,141	1,360,249	1,316,921	1,253,146
383,217	397,446	397,537	392,375	377,651	349,083
331,413	333,813	327,035	325,381	328,028	318,081
762,910	781,647	739,131	713,348	680,963	668,380
212,750	177,988	202,756	215,215	219,464	203,610
1,321,017	1,236,940	1,220,683	1,079,625	1,014,508	937,569
71,111	12,902	13,676	22,934	21,207	19,875
386,838	374,412	372,252	354,077	348,224	305,073
526,169	496,188	483,037	453,851	447,378	402,999
2,353,945	2,185,319	2,068,180	1,941,376	1,844,917	1,729,302
134,062	139,114	140,271	129,705	129,032	114,681
699,502	715,684	675,177	668,308	663,212	628,827
610,611	638,297	635,035	611,820	588,702	542,076
3,115,820	*2,945,044*	*2,852,825*	*2,739,071*	*2,592,148*	*2,434,794*
578,611	535,648	518,821	503,975	489,482	443,828
183,082	158,788	152,450	164,108	149,139	139,802
2,354,127	*2,250,608*	*2,181,554*	*2,070,988*	*1,953,527*	*1,851,164*
1,016,430	967,162	936,489	884,420	833,564	781,997
1,337,697	1,283,446	1,245,065	1,186,568	1,119,963	1,069,167
7,687,063	6,944,668	6,131,315	5,092,252	5,175,605	4,964,615
2.23%	2.50%	2.48%	2.45%	2.29%	2.17%

STATE OF VERMONT
Statistical Section - Table 6
Revenue Capacity
Personal Income Tax Rates and Tax Calculations
Last Ten Calendar Years

Calendar Year		Tax Rates for Taxable Income Within Range, Single Filing Status (1) 3.6%	7.0%	8.3%	8.9%	9.4%	Tax Collections (000's)	Personal Income (3) (000's)	Average Effective Tax Rate
2012		$ 0 - $34,000	$34,001 - $83,600	$83,601 - $174,000	$174,001 - $379,150	> $379,150	$ 565,022	$ 26,041,860	2.17%
2011		$ 0 - $34,000	$34,001 - $82,400	$82,401 - $171,850	$171,851 - $373,650	> $373,650	$ 524,170	$ 24,870,824	2.11%
2010	(2)	$ 0 - $33,950	$33,951 - $82,250	$82,251 - $171,550	$171,551 - $372,950	> $372,950	$ 507,525	$ 24,074,284	2.11%
2009	(3)	$ 0 - $32,550	$32,551 - $78,850	$78,851 - $164,550	$164,551 - $357,700	>$357,700	$ 548,983	$ 24,612,413	2.23%
2008	(3)	$ 0 - $31,850	$31,851 - $77,100	$77,101 - $160,850	$160,851 - $349,700	>$349,700	$ 588,335	$ 23,580,349	2.50%
2007	(3)	$ 0 - $30,650	$30,651 - $74,200	$74,201 - $154,800	$154,810 - $336,550	>$336,550	$ 553,846	$ 22,341,107	2.48%
2006	(3)	$ 0 - $29,700	$29,701 - $71,950	$71,951 - $150,150	$150,151 - $326,450	>$326,450	$ 507,701	$ 20,696,717	2.45%
2005	(3)	$ 0 - $29,050	$29,051 - $70,350	$70,351 - $146,750	$146,751 - $319,100	>$319,100	$ 463,755	$ 20,234,033	2.29%
2004	(3)	$ 0 - $28,400	$28,401 - $68,800	$68,801 - $143,500	$143,501 - $311,951	>$311,950	$ 415,020	$ 19,129,031	2.17%
2003	(3)	$ 0 - $27,950	$27,951 - $67,700	$67,701 - $141,250	$141,251 - $307,050	>$307,050	$ 400,120	$ 18,459,720	2.17%

(1) Different taxable income ranges apply to these rates for other filing statuses, including Married Filing Jointly, Married Filing Separately, Head of Household, etc.

(2) For 2010, the tax rates applied to the five income ranges for single status filers were 3.55%, 6.80%, 7.80%, 8.80% and 8.95% respectively.

(3) For 2003 - 2009, the tax rates applied to the five income ranges for single status filers were 3.6%, 7.0%, 8.3%, 8.9%, and 9.4% respectively.

(3) See Statistical Section Table 5 for additional detail regarding personal income.

Source: Vermont Department of Taxes

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STATE OF VERMONT
Statistical Section - Table 7
Revenue Capacity
Personal Income Tax Filers and Liability by Income Level
Calendar Years 2011 and 2002

	Calendar Year 2011 (1)				
Income Level	Number of Filers	Percentage of Total Filers	State Taxable Income (2)	State Personal Income Tax (net) (3)	Percentage of Total State
$300,000 and higher	2,294	0.64%	$ 1,905,910,231	$ 132,825,051	23.51%
$150,000 - $299,999	5,985	1.66%	1,199,189,131	69,527,115	12.31%
$100,000 - $149,999	10,734	2.98%	1,287,241,464	64,639,664	11.44%
$75,000 - $99,999	15,296	4.24%	1,313,375,112	59,219,475	10.48%
$50,000 - $74,999	32,810	9.10%	2,005,862,938	78,635,524	13.92%
$25,000 - $49,999	60,967	16.91%	2,202,541,164	78,293,698	13.86%
$10,000 - $24,999	58,302	16.17%	1,000,342,871	34,097,049	6.03%
$9,999 and lower	124,248	34.45%	244,253,995	9,200,353	1.63%
Out of State	49,992	13.85%	17,765,873,457	38,584,525	6.82%
Totals	360,628	100.00%	$ 28,924,590,363	$ 565,022,454	100.00%

	Calendar Year 2002				
Income Level	Number of Filers	Percentage of Total Filers	State Taxable Income (2)	State Personal Income Tax (net) (3)	Percentage of Total State
$300,000 and higher	1,124	0.34%	$ 777,004,986	$ 57,565,747	14.39%
$150,000 - $299,999	2,968	0.89%	597,819,782	38,501,571	9.62%
$100,000 - $149,999	5,470	1.64%	654,181,128	36,580,318	9.14%
$75,000 - $99,999	8,213	2.47%	701,562,116	35,360,849	8.84%
$50,000 - $74,999	25,216	7.58%	1,520,508,813	66,231,784	16.55%
$25,000 - $49,999	61,892	18.61%	2,223,260,352	81,571,288	20.40%
$10,000 - $24,999	66,563	20.01%	1,135,597,636	39,365,473	9.84%
$9,999 and lower	118,857	35.73%	284,261,588	9,856,595	2.45%
Out of State	42,333	12.73%	7,188,912,765	35,086,354	8.77%
Totals	332,636	100.00%	$ 15,083,109,166	$ 400,119,979	100.00%

(1) Information for Tax Year 2011 is preliminary data for returns processed through November 24, 2012

(2) State Taxable Income is the total taxable income reported on line 15 of tax returns for an income class.

(3) State Personal Income Tax is net of taxable income adjustments, Vermont credits and other tax credits.

Source: Vermont Department of Taxes

See Independent Auditor's Report

STATE OF VERMONT
Statistical Section - Table 8
Debt Capacity
Ratios of Outstanding Debt by Type, Last Ten Years
(Expressed in Thousands, Except per Capita)

	Governmental Activities							
Fiscal Year	General Obligation Current Interest Bonds	Special Obligation Current Interest Bonds	General Obligation Capital Appreciation Bonds (1)	Total Bonds	Capital Leases	Total Primary Government	Ratio of Debt to Personal Income (2)	Debt Per Capita (3)
2012	502,715	13,260	3,542	519,517	3,619	523,136	1.96%	N/A
2011	489,445	13,835	6,296	509,576	4,340	513,916	1.97%	820
2010	459,935	-	12,856	472,791	4,820	477,611	1.92%	763
2009	433,975	-	19,007	452,982	4,908	457,890	1.90%	733
2008	429,360	-	25,110	454,470	384	454,854	1.85%	729
2007	426,415	-	30,840	457,255	600	457,855	1.94%	734
2006	425,060	-	36,214	461,274	741	462,015	2.07%	742
2005	422,212	-	41,178	463,390	694	464,084	2.24%	747
2004	423,287	-	45,836	469,123	-	469,123	2.32%	757
2003	422,755	-	51,030	473,785	-	473,785	2.48%	767

(1) Net of Unaccreted Interest

(2) See Statistical Section Table 5 for additional detail regarding personal income.

(3) See Statistical Section Table 10 for population statistics.

Note: The State has no constitutional or other limit on its power to issue obligations or incur indebtedness except for the requirement that borrowing only be for public purposes.

See Independent Auditor's Report

STATE OF VERMONT
Statistical Section - Table 9
Debt Capacity
Ratios of General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years*
(Expressed in Thousands, Except Per Capita)

Fiscal Year	General Obligation Bonded Debt	State Taxable Personal Income (1)	Ratio of General Bonded Debt to Taxable Personal Income	General Bonded Debt Per Capita (2)
2011	495,741	28,924,590	1.71%	791
2010	472,791	28,082,699	1.68%	755
2009	452,982	25,484,590	1.78%	725
2008	454,470	25,999,711	1.75%	728
2007	457,255	33,389,272	1.37%	733
2006	461,274	25,154,425	1.83%	741
2005	463,390	23,609,221	1.96%	746
2004	469,123	19,956,789	2.35%	757
2003	473,785	16,395,915	2.89%	767
2002	480,443	15,083,109	3.19%	790

* State Taxable Personal Income is not available for the 2012 year, so the data reported here is for the ten years 2002-2011.

(1) Source: Vermont Department of Taxes.

(2) See Statistical Section Table 10 for population statistics.

See Independent Auditor's Report

STATE OF VERMONT
Statistical Section - Table 10
Demographic and Economic Statistics
Population, Per Capita Personal Income, Civilian Labor Force,
Public School Enrollment, and Motor Vehicle Registration Data
Last Ten Years*

	Population (1)				Per Capita Personal Income (1)		
Year	U.S.	Change From Prior Period	State of Vermont	Change From Prior Period	U.S.	State of Vermont	Vermont as a Percentage of U.S.
2011	311,591,917	0.73%	626,431	0.08%	$ 41,663	$ 41,832	100.41%
2010	309,330,219	0.83%	625,909	0.17%	39,937	40,134	100.49%
2009	306,771,529	0.88%	624,817	0.11%	38,846	38,879	100.08%
2008	304,093,966	0.95%	624,151	0.11%	40,947	39,433	96.30%
2007	301,231,207	0.96%	623,481	0.09%	39,506	37,820	95.73%
2006	298,379,912	0.97%	622,892	0.27%	37,725	35,867	95.07%
2005	295,516,599	0.93%	621,215	0.21%	35,452	33,317	93.98%
2004	292,805,298	0.93%	619,920	0.33%	33,909	32,640	96.26%
2003	290,107,933	0.86%	617,858	0.39%	32,295	30,960	95.87%
2002	287,625,193	0.89%	615,442	0.54%	31,481	29,994	95.28%

* Most of the information for this table is not available for the 2012 year, so the data reported here is for the ten years 2002-2011.

(1) Source: Regional Economic Information System, Bureau of Economic Analysis, US Department of Commerce. Date release date 3/28/12

(2) Source: Local Area Unemployment Statistics, Vermont Department of Labor, Economic & Labor Market Information; Not Seasonally Adjusted. Data release date 8/17/12

(3) Source: Vermont Department of Education, "Elementary/Secondary Public School Enrollment.

(4) Source: Vermont Department of Motor Vehicles, All Registered Vehicle Types; includes autos, trucks, motorcycles, buses, state & municipal, and dealer vehicles; data is on a calendar year basis.

See Independent Auditor's Report

Civilian Labor Force (2)					
State Employed	State Unemployed	State Total	State Unemploy-ment Rate	Public School Enrollment (3)	Motor Vehicles Registered (4)
339,100	20,100	359,200	5.6%	90,289	615,608
336,800	23,100	359,900	6.4%	91,239	619,610
335,100	24,700	359,800	6.9%	92,572	583,813
341,800	16,200	358,000	4.5%	94,114	601,675
341,300	14,000	355,300	3.9%	95,481	619,459
343,100	13,300	356,400	3.7%	96,636	620,144
336,600	12,200	348,800	3.5%	98,361	617,476
334,200	12,900	347,100	3.7%	99,104	611,158
331,300	15,500	346,800	4.5%	99,978	602,759
331,800	13,900	345,700	4.0%	101,180	588,859

STATE OF VERMONT
Statistical Section - Table 11
Demographic and Economic Information
Annual Average Non-Farm Employment by Industry
For the Years 2011 and 2002

	2011			2002		
	Employees	Rank	Percent of Total	Employees	Rank	Percent of Total
Total non-farm employment	299,600		100.0%	299,400		100.0%
Private total	246,400		82.2%	248,550		83.1%
Natural resources and mining	750		0.3%	1,000		0.3%
Construction	13,650	7	4.6%	14,850	6	5.0%
Manufacturing						
Durable goods	21,700	5	7.2%	29,250	4	9.8%
Nondurable goods	9,200		3.1%	11,300	9	3.8%
Wholesale trade	9,650		3.2%	10,150		3.4%
Retail trade	37,900	2	12.6%	40,000	1	13.3%
Transportation, warehousing and utilities	8,900		3.0%	8,700		2.9%
Information	5,000		1.7%	6,650		2.2%
Financial activities						
Finance and insurance	9,150		3.1%	10,150		3.4%
Real estate and rental and leasing	2,950		1.0%	3,050		1.0%
Professional and business services						
Professional and technical services	13,800	6	4.6%	12,250	7	4.1%
Management of companies and enterprises	-		0.0%	-		0.0%
Administrative and waste services	9,700	10	3.2%	7,700		2.6%
Educational and health services						
Education services	13,000	8	4.3%	12,200	8	4.1%
Healthcare and social assistance	47,150	1	15.7%	37,950	2	12.7%
Leisure and hospitality						
Arts, entertainment and recreation	3,900		1.3%	3,650		1.2%
Accomodations and food services	28,800	3	9.6%	29,350	3	9.8%
Other services, except public administration	11,200	8	3.7%	10,350	10	3.5%
Government total	53,200		17.8%	50,850		16.9%
Federal	6,450		2.2%	5,950		2.0%
State government education	8,600		2.9%	7,300		2.4%
Local government education	21,900	4	7.3%	21,650	5	7.2%
Other state government	8,900		2.9%	9,100		3.0%
Other local government	7,350		2.5%	6,850		2.3%

Source: Vermont Department of Labor, Labor Market Information, data release date 8/17/12

Note - Data for specific businesses that comprise the top employers in the state is not available due to confidentiality regulations; thus information by industry is presented.

Totals may not add due to rounding.

See Independent Auditor's Report

STATE OF VERMONT
Statistical Section - Table 12
Operating Information
Full-Time Equivalent State Government Employees by Function/Program
Last Ten Years

Function/Program	2012 [7]	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government										
Administration	6	4	5	6	5	4	4	4	3	11
Auditor of Accounts	13	14	12	12	12	11	11	11	12	12
Buildings & General Services	340	355	353	380	424	417	424	396	399	419
Finance & Management	35	33	31	40	47	37	39	36	38	32
Executive (Governor's) Office	13	14	10	13	18	18	17	17	17	16
Green Mountain Care Board [5]	17	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Information & Innovation [1]	75	70	72	53	61	57	50	49	51	0
Libraries	25	26	26	29	32	31	34	34	34	34
Lieutenant Governor	2	2	2	2	2	2	2	2	2	2
Human Resources	73	72	37	47	51	59	57	56	56	54
State Treasurer	32	30	34	35	35	36	37	34	33	29
Taxes	157	159	155	169	181	176	183	184	183	179
Vermont Labor Relations Board	2	1	2	2	2	2	2	2	2	2
VOSHA Review Board	1	0	0	1	1	1	1	1	1	1
Protection to Persons and Property										
Agriculture, Food & Markets	90	85	83	90	98	96	95	89	87	81
Attorney General	73	73	69	69	71	69	72	68	67	62
Financial Regulation	105	107	107	109	110	108	105	99	93	89
Criminal Justice Training Council	10	9	7	12	10	10	10	11	8	6
Defender General	69	65	62	62	64	63	61	62	60	55
Enhanced 911 Board [5]	11	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Labor & Industry [2,3]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	43	85	82
Liquor Control	50	52	51	54	56	54	56	54	55	54
Military	122	123	121	126	126	117	118	109	111	104
Public Safety [3]	577	561	562	584	592	599	602	568	511	480
Public Service Department	49	55	53	50	50	52	49	47	51	51
Public Service Board	25	25	24	25	25	24	27	25	25	24
Secretary of State	64	61	63	63	52	52	51	48	50	46
State's Attorneys & Sheriffs	150	149	151	155	156	155	154	153	154	145
Vermont Human Rights Commission	5	5	5	5	5	5	5	5	5	5
Vermont Lottery Commission	20	20	20	21	19	18	19	19	19	19
VT Fire Service Training Council [2]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7	8
Human Services [2]										
Children & Families	935	944	918	970	960	947	941	932	n/a	n/a
PATH	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	414	406
Office of Child Care	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	124	119
Social & Rehabilitation Services	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	400	377
Vermont Office of Health Access	124	116	89	91	93	79	65	43	n/a	n/a
Aging & Independent Living	269	254	251	279	298	288	275	268	216	201
Corrections	1,035	1,003	1,011	1,045	1,115	1,150	1,146	1,129	1,101	947
Economic Opportunity	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6	8
Health	458	441	439	484	525	753	749	715	496	483
Developmental and Mental Health Services [6]	140	235	243	233	237	n/a	n/a	n/a	96	102
Vermont State Hospital	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	178	173
Human Services	104	93	106	98	99	95	89	59	54	52
Governor's Commission on Women	3	3	3	3	3	3	3	3	3	3
Veteran's Home (discrete component unit)	203	193	200	206	200	204	190	188	195	192
Employment & Training										
Department of Labor [3]	266	271	286	276	277	276	281	250	290	315
General Education										
Department of Education	156	151	156	181	184	194	196	182	181	174
Natural Resources										
Environmental Board	26	27	27	30	31	29	30	29	31	30
Environmental Conservation	259	250	250	262	283	285	286	273	264	256
Fish & Wildlife	125	124	122	126	130	124	119	121	118	117
Forsts, Parks & Recreation	99	98	98	108	114	113	113	111	119	115
Natural Resources	33	30	39	52	59	56	58	52	48	48
Water Resources Board	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3	4	4
Commerce & Community Development										
Agency of Commerce & Community Development	75	76	80	86	96	97	93	101	95	92
Transportation										
Agency of Transportation	1,222	1,190	1,216	1,233	1,253	1,255	1,242	1,255	1,287	1,261
	7,743	7,669	7,651	7,977	8,262	8,221	8,161	7,943	7,940	7,577

[1] New department formed from consolidating GOVNet program (previously in Administration) and Communication & Information Technology program (previously in Buildings and General Services.

[2] In 2005 the Agency of Human Services reorganized with some department consolidations and other new departments established. Also in 2005, the Vermont Fire Service Training Council and portions of the Department of Labor and Industry were merged into the Department of Public Safety.

[3] In 2006 portions of the Department of Labor and Industry merged with the Department of Employment and Training and the new consolidated department was named the Department of Labor.

[4] Executive Order No. 01-10 consolidated human resource services statewide by transferring certain human resource positions within state government to the Department of Human Resources. The effective date of this consolidation was July 1, 2010.

[5] In 2012 Act 64 of 2011 Session established the Enhanced 911 Board as an independent entity. Act 48 of the 2011 Session established the Green Mountain Care Board as an independent entity.

[6] The reduction in employees in 2012 is the result of the Vermont State Hospital in Waterbury being forced to close due to Tropical Storm Irene.

[7] In 2012 FTE's employees by function/program were provided by the Department of Human Resources.

Source: Vermont Department of Human Resources - State of Vermont Workforce Report

See Independent Auditor's Report

STATE OF VERMONT
Statistical Section - Table 13
Operating Information
Operating Indicators by Function
Last Nine Years

Function	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government									
Square feet of State owned facilities [1]	3,288,254	3,272,199	3,339,135	3,377,312	3,941,153	3,928,255	3,377,476	3,035,161	3,118,618
State Pension Plan membership [2]	46,577	45,936	45,507	45,354	44,947	44,015	43,171	42,097	41,424
Number of State employees (full-time and part-time) [3]	7,805	7,743	7,732	8,075	8,383	8,352	8,292	8,069	7,935
Protections to Persons and Property [4]									
Number of State Agency law enforcement officers	n/a	408	413	405	397	399	399	405	393
Number of Sheriff's Department law enforcement officers	n/a	114	136	122	117	119	132	133	117
Human Services [5]									
Total Corrections population	10,718	10,814	11,262	11,215	11,148	11,703	12,303	13,528	13,824
Immunization coverage, ages 19-35 months	n/a	0.73	64%	60%	65%	67%	75%	n/a	n/a
Bed nights in homeless shelters	154,129	133,355	130,939	120,464	100,473	112,715	98,786	101,647	100,028
Employment & Training [6]									
Number of Unemployment Compensation payments	n/a	390,035	499,360	629,794	374,278	318,235	304,612	295,674	309,121
General Education [7]									
Statewide average expenditure per student	16,024	15,789	15,475	14,903	14,076	13,287	12,624	11,759	11,113
Total local education agencies	n/a	346	348	349	352	352	353	351	349
Natural Resources									
Gallons of maple syrup produced [8]	750,000	1,140,000	890,000	920,000	700,000	450,000	460,000	410,000	500,000
Number of moose permit applications [9]	n/a	11,217	12,028	14,228	13,839	13,199	11,987	13,091	13,382
Commerce and Community Development									
Net change in employer businesses [10]	n/a	15	(95)	159	(258)	(249)	(18)	n/a	n/a
Median purchase price of a new home [11]	n/a	195,000	195,000	190,000	200,000	201,000	197,000	182,000	165,000
Number of skier visits [12]	3.9 Million	4.4 Million	4.1 million	4.0 million	4.3 million	3.8 million	4.1 million	4.4 million	4.2 million
Transportation [13]									
Total snowplowing hours	n/a	165,173	73,734	110,770	144,488	174,022	123,674	339,987	182,690
Structurally deficient bridges	n/a	91	107	178	190	192	197	193	187
Paving projects (miles)	208	156	330	169	109	113	122	90	117

n/a - Information not available at time of printing.

Note: Information for these statistics is not available for years prior to 2004, when the State began compiling this data.

Sources:

[1] Vermont Department of Buildings & General Services, Space Book
[2] Vermont Office of the State Treasurer
[3] Vermont Department of Human Resources
[4] Vermont Department of Public Safety
[5] Vermont Agency of Human Services
[6] Vermont Department of Labor
[7] Vermont Department of Education
[8] US Department of Agriculture
[9] Vermont Agency of Natural Resources
[10] bls.gov
[11] Vermont Housing Finance Agency
[12] skivermont.com
[13] Vermont Agency of Transportation

See Independent Auditor's Report

STATE OF VERMONT
Statistical Section - Table 14
Operating Information
Capital Asset Statistics by Function
Last Nine Years

Function	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government									
Department of Buildings & General Services									
Land holdings (acres)	2,807.13	2,809.13	2,809.13	2,874.86	2,923.90	2,923.90	2,915.90	2,851.12	2,981.68
State-owned space (square feet)	3,288,254	3,272,199	3,339,135	3,377,312	3,941,153	3,928,255	3,377,476	3,035,161	3,118,618
Protection to Persons and Property									
Number of state police vehicles	511	515	490	405	420	412	413	383	376
Number of armory locations	22	22	22	22	20	20	20	20	20
Number of agriculture research stations	29	31	30	31	28	27	25	23	20
Human Services									
Department of Health - Number of lab instruments									
(analyzer, module, counters, meters, etc.)	108	178	182	122	103	105	85	71	n/a
Department of Children and Families - number of vans	27	29	25	26	30	25	23	23	23
Department of Corrections - number of vehicles	0	0	0	2	3	11	11	11*	85
Employment and Training									
Department of Labor - number of capitalized									
computer assets	12	14	17	19	19	10	29	27	27
General Education									
Department of Education - number of capitalized									
computer assets	27	27	27	20	21	16	16	12	10
Natural Resources									
Number of dams	92	90	90	81	99	96	94	93	88
Agency of Natural Resources									
Number of vehicles	228	216	218	224	214	221	204	309	345
Number of building and improvement assets	459	452	442	429	441	430	423	410	405
Commerce and Community Development									
Number of historic sites	20	21	21	21	18	17	16	17	17
Number of covered bridges	7	7	7	7	6	6	7	6	6
Number of underwater preserves	100+	100+	100+	100+	100+	100+	100+	100+	100+
Transportation									
Number of bridges over 20 feet	1,080	1,078	1,078	1,077	1,077	1,077	1,077	1,077	1,072
State highway miles	2,703	2,703	2,704	2,704	2,707	2,708	2,708	2,708	2,704
Agency of Transportation buildings (square feet)	1,361,017	1,349,017	1,328,717	1,326,407	1,307,415	1,289,171	1,250,673	1,233,099	1,226,781

* During FY 05 most vehicles were transferred to the new Fleet Program.

Note: Information for these statistics is not available for years prior to 2004, when the state began compiling this data.

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STATE OF VERMONT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

LEGEND OF ACRONYMS

Acronym	Description
AAL	Actuarial Accrued Liability
AD&D	Accidental Death and Dismemberment
AFC	Average Final Compensation
AHS	Agency of Human Services
ANFC	Aid to Needy Families With Children
AOC	Annual OPEB Cost
APC	Annual Pension Cost
ARC	Annual Required Contribution
ARRA	American Recovery and Reinvestment Act
BFS	Basic Financial Statements
CAFR	Comprehensive Annual Financial Report
CDAAC	Capital Debt Affordability Advisory Committee
DFTC	Commodity Futures Trading Commission
CMO's	Collateralized Mortgage Obligations
CMS	Center for Medicaid and Medicare Services
COLA	Cost of Living Adjustment
CPI	Consumer Price Index
DVHA	Department of Vermont Health Access
EAN	Entry Age Normal
EAP	Employee Assistance Program
FAP	Financial Access Program
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FEMA	Federal Emergency Management Agency
FHWA	Federal Highway Administration
FICA	Federal Insurance Contributions Act
FIL	Frozen Initial Liability
FSA	Flexible Spending Account
FTA	Federal Transit Administration
FX	Foreign Exchange
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association of the United States and Canada
GIS	Geographic Information Systems
HMO	Health Maintenance Organization
HR	Human Resources
IBNR	Incurred But Not Reported
ICMA-RC	International City/County Management Association - Retirement Corporation
ISDA	International Swaps and Deriviatives Association
MD&A	Management's Discussion and Analysis

See Independent Auditor's Report

STATE OF VERMONT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

LEGEND OF ACRONYMS

Acronym	Description
MERS	Vermont Municipal Employees Retirement System
MIP	Mortgage Insurance Program
MMA	Medicare, Prescription Drug, Improvement, and Modernization Act of 2003
NOO	Net OPEB Obligation
NPO	Net Pension Obligation
OPEB	Other Post Employment Benefits
OTC	Over The Counter
PAC	Planned Amortization Classes
PRO	Pollution Remediation Obligation
RHS	Retirement Health Savings
RSI	Required Supplementary Information
S&P	Standard & Poor's
SDIA	Single Deposit Investment Account
SIB	State Infrastructure Bank
STC	Standard Terms and Conditions
STRS	State Teachers Retirement System
UAAL	Unfunded Actuarial Accrued Liability
USD	United States Dollar
USEPA	United States Environmental Protection Agency
UTF	Unemployment Trust Fund
UVM	University of Vermont and State Agricultural College
V.S.A.	Vermont Statutes Annotated
VCGI	Vermont Center for Geographic Information
VEDA	Vermont Economic Development Authority
VEHBFA	Vermont Educational and Health Buildings Financing Agency
VEHI	Vermont Education Health Initiative
VHCB	Vermont Housing and Conservation Board
VHFA	Vermont Housing Finance Agency
VITL	Vermont Information Technology Leaders, Inc.
VMBB	Vermont Municipal Bond Bank
VPIC	Vermont Pension Investment Committee
VSAC	Vermont Student Assistance Corporation
VSC	Vermont State College System
VSECU	Vermont State Employees' Credit Union
VSJF	Vermont Sustainable Jobs Fund, Inc.
VSRS	Vermont State Retirement System
VTA	Vermont Transportation Authority

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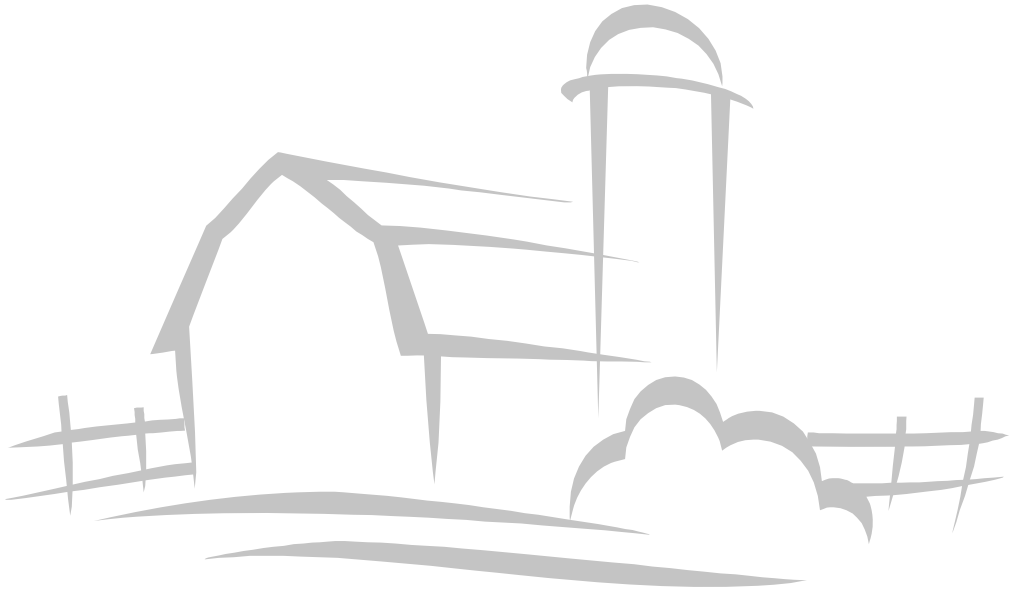

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